Cross-cultural Relationships within New Zealand Agribusinesses Operating in China and Their Sociological Underpinnings

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by

Xiaomeng Kong Sun Lucock

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This research was conducted in response to the importance of China as a destination market for New Zealand food products and services, the challenges that New Zealand agribusinesses have encountered in their China-related dealings, the absence of research on the overarching sociological framework of China's agri-food environment, and the apparent lack of research on cross-cultural business relationships within the food and agribusiness context.

This research sought to identify social institutions at play within this context, and to understand how they came about and interact. In addition, answers were sought as to whether common characteristics of agribusinesses − long production cycles, long investment cycles, production volatility, price volatility, product perishability, seasonality, food safety concerns, food security concerns, and environmental implications – impose particular challenges to building and managing cross-cultural business relationships.

The research adopts an inductive-led theory-building case study methodology and research methods. Incidents and behaviours described were elicited from 38 in-depth semi-structured interviews with New Zealand and Chinese informants, focusing on their cross-cultural business dealings in China, including the building and management of business relationships. These were interpreted through cultural lenses.

Drawing on relevant sociological literature, a framework is proposed to describe the self-reinforcing Chinese sociological system. In this system, the Chinese world view leads to pragmatism, which is then reflected in 'how it is' (including hierarchy, ambiguity, flexibility, diversity, opposite that coexist, and interconnectedness), 'what is important' (including *guanxi*, trust, face, harmony, survival, and win-win), and 'what they do' (including avoid conflicts, go with the flow, strive for interdependence, eager for quick success, and test everything). All of these factors reinforce the Chinese view of the world, resulting in a high-context culture. The proposed framework recognises the fundamental differences in world view that Chinese people possess compared to many Westerners, in that whereas many Westerners see the world as a place where absolute truth exists, the abstract of which is therefore worth searching for, Chinese people see the world as being an intertwined matrix,

in which all things are interconnected and therefore situation dependent. This contextual world view, which produced, and has been reinforced by, Daoism and Confucianism, has a range of sociological implications, all of which have a profound impact on the behaviours of Chinese business people.

Chinese people maintain a hierarchical social structure encompassing *guanxi* networks, in which family orientation is strong, and harmony and interdependence are fundamental. Chinese people adapt to circumstances in order to survive and/or succeed, and they form trust with much caution, taking time to establish a trusted relationship. The proposed framework can also be understood using Bourdieu's formula of **habitus x capital + field = practice**, but it contains additional self-reinforcing dimensions.

Drawing on the understanding provided by this system, this research concludes that the unique characteristics of the food and agribusiness sector can impose additional challenges in building and managing effective cross-cultural business relationships, which derive, in particular, from specific uncertainties within this sector and which reinforce Chinese people's distinctively pragmatic way of doing things.

Key words: cross-cultural business relationships, Chinese world view, pragmatism, Chinese sociological system, Chinese social institutions, food and agribusiness, agri-food

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Chapter 1

Introduction

1.1 Background

In recent years rapid economic growth and an expanding middle-class population have meant that China is increasingly important as a destination market for food products and services from New Zealand. In the first quarter of 2013 China overtook Australia and became the largest export market for New Zealand, with the main exports being food and agribusiness products (Statistics New Zealand, 2013). This dominant position in food and agribusiness products export has been maintained ever since, and is reflected in the increased business interactions in this sector between the two countries.

Anecdotal evidence shows that among the many New Zealand agribusiness ventures in China, not all have succeeded or even survived, just like many other international businesses in China. Many of the international business failures have been attributed to a lack of cultural competence on the part of business practitioners (Johnson, Lenartowicz, & Apud, 2006). In a study of the management practices of New Zealand expatriates in China, Seak and Enderwick (2008) argue that cultural factors within business management in China are of great importance, and that to be successful requires expatriates to understand Chinese culture and possess cross-cultural competencies when managing in China:

> China has a business culture which relies heavily on relationships – business relationships come first and the actual business later. This aspect is contrary to that of the West, where business relationships are secondary. (Seak & Enderwick, 2008, p. 1299)

In doing business, China has a "strikingly different" institutional framework compared with that of the US (S. X. Li, Yao, Sue-Chan, & Xi, 2011), which is a country with a typical Western institutional framework. Chinese cultural traits such as Confucianism, family-ism, group orientation, ideal of life, and Chinese mind-set have heavily influenced the direction of business practices (Xing, 1995). In a cross-cultural study that involved Australia and China, Mavondo and Rodrigo (2001) concluded that personal relationships are critical to building and enhancing inter-organisational relationships. According to Zhu, Nel, and Bhat(2006), to initiate such business relationships, Chinese people tend to employ more personal strategies, whereas New Zealanders tend to use more impersonal communication strategies. A stronger orientation for long-term relationships in Chinese people compared with New Zealanders has also been identified (Zhu et al., 2006).

These distinct differences between Chinese and Western business practices, and their underlying institutional cultures, have encouraged many scholars to make cross-cultural business relationships involving China a research focus in recent years. Many of these studies have focused

on selected social institutions within Chinese culture, such as *guanxi*, and have investigated their importance, categorisation, and the roles they play, as well as how they affect business dealings in China. What appeared to be lacking was a description of the overarching sociological framework, showing the reasons for and origins of these social institutions, as well as how they interact.

Additionally, despite these extensive studies on cross-cultural business relationships in a wide commercial context, minimal research has been conducted in the context of food and agribusiness. Although many of the principles found in the research on the wider commercial context could be applied to the food and agribusiness sector, the unique and defining characteristics of this sector may impose additional constraints on business relationships.

The aforementioned anecdotal evidence of New Zealand agribusiness entrepreneurs' unsuccessful endeavours in China, the absence of research on a description of the overarching sociological framework in China, along with the apparent lack of research on cross-cultural business relationship within the food and agribusiness context inspired the conception of this PhD research.

The anecdotal evidence and lack of existing studies have also determined the open questions of this PhD study, which set out to investigate cross-cultural business relationships between China and New Zealand within the context of food and agribusinesses (or the agri-food context). By interpreting, through cultural lenses, the incidents and behaviours within the agribusinesses investigated, this research intends to provide a deeper understanding of the underlying sociological frameworks (with a focus on the Chinese side) that govern and direct the cross-cultural business relationships between the people of these two countries in the agri-food context, as well as attempts to answer whether or not the unique characteristics of agribusiness impose added challenges in building and managing cross-cultural business relationships.

Having been educated to university level in China, the researcher has spent the last 13 years studying, working, and living in New Zealand. Drawing on Kelly's Personal Construct Theory (Kelly, 1955), where a person makes sense of the world around him or her according to his or her personal constructs actively developed through previous life encounters, these life experiences and linguistic skills have allowed the researcher to empathise with both cultures, forming the lenses through which this study was carried out and helping to inform the interpretation of the research results.

1.2 Research Context

Several definitions are required to describe the context of this PhD research, and the unique and defining characteristics of the food and agribusiness sector need to be described.

1.2.1 Definitions

1.2.1.1 Culture

Culture includes beliefs, traditions, values and language. It provides the very grounds for human communication and interaction, and is also a source of domination. Culture shapes our understanding of reality and also helps to establish and maintain social hierarchies. Culture also mediates practices by connecting individuals and groups to institutionalised hierarchies (Swartz, 1997).

1.2.1.2 Cross-cultural business relationships

An understanding of cross-cultural business relationships can be derived from the above definition of culture. 'Cross-cultural business relationships' refers to relationships in the context of business, between parties that come from different cultures. These parties are therefore likely to have different beliefs, traditions, values, and languages. They will also have a different understanding of reality, and may have different institutionalised social hierarchies.

1.2.1.3 Social institutions

Social institutions are defined as "webs of interrelated rules and norms that govern social relationships, comprise the formal and informal social constraints that shape the choice-set of actors". Social institutions "reduce uncertainty in human relations", and "specify the limits of legitimate action in the way that rules of a game specify the structure within which players are free to pursue their strategic moves using pieces that have specific roles and status positions". Norms are "implicit or explicit rules of expected behaviour that embody the interests and preferences of members of a close-knit group or a community" (Nee, 1998).

1.2.1.4 The food and agribusiness sector

The context of this research is the food and agribusiness sector. Although agricultural products go beyond just food (for example, fibre products such as cotton and wool), the focus of this PhD study is the sector where food products are the final consumer products. The 'food and agribusiness sector', as used here, therefore refers to the industries that involve the production, procurement, processing, marketing, retailing, and services of food products.

1.2.2 Unique characteristics of the food and agribusiness sector

Although some research has been conducted on cross-cultural consumer perceptions of, and behaviours in relation to, food (Eves & Cheng, 2007), little has been done on cross-cultural business relationships within the food and agribusiness enterprises. The unique and defining characteristics of the food and agribusiness sector may, however, present added challenges that can have important influences on cross-cultural business relationships. These characteristics include (K. Woodford[1], personal communication, 13 Jan 2012):

1) long production cycles
2) long investment cycles
3) production volatility
4) price volatility
5) product perishability
6) seasonality
7) food safety
8) food security
9) environmental implications.

1.3 Research Aim and Research Questions

There is a need to further study cross-cultural business relationships in a food and agribusiness context. China's increasingly important role as an export destination for New Zealand's food and agribusiness sector has expanded the significance of such a study. This PhD research intends to reveal the underlying sociological frameworks that govern and direct cross-cultural business relationships between China and New Zealand within the agri-food context, and whether or not the unique and defining characteristics of agribusiness impose further challenges on these relationships. The researcher's bilingual advantage allows stories to be heard from both the New Zealand and Chinese sides of a business relationship. The statement of research purpose for this PhD research therefore is:

> To interpret through cultural lenses the incidents and behaviours within New Zealand agribusinesses currently operating in China or exporting to China, in order to, firstly, understand the underlying sociological frameworks that govern and direct the cross-

[1] Professor Keith Woodford, formerly Professor of Farm Management and Agribusiness at Lincoln University, New Zealand from 2000 to 2014, and thereafter Honorary Professor of Agri-food Systems at Lincoln University. Professor Woodford is the academic supervisor of this thesis.

cultural business relationships between China and New Zealand; and, secondly, to discover whether the unique and defining characteristics of the food and agribusiness sector present additional challenges in building and managing effective cross-cultural business relationships.

More specifically, this study seeks answers to the following research questions.

1. What are the social institutions at play when New Zealand agribusinesses are operating in or exporting to China, particularly from the cross-cultural business relationship perspective?
2. How have these social institutions come about, and how do they interact to form the sociological system in China?
3. Are there any additional challenges imposed by the unique and defining characteristics of the food and agribusiness sector in the functionality of these social institutions in building and managing cross-cultural business relationships?

It is worth noting that while the above are the specific questions this PhD research seeks to answer, the answers are based on the research results as well as the researcher's synthesis of these results. This is because although informants may be able to describe incidents and behaviours, they may not always understand the cultural forces and origins of these incidents and behaviours. These research questions therefore do not form the general interview guide used during the field work, nor are they the actual questions asked of the interviewees. Rather, a general interview guide was constructed based on these research questions, and then personalised interview guides were developed for each of the interviewees according to their own circumstances.

1.4 Thesis Structure

The focus of this PhD study, as defined by the research questions and the constructivist-interpretivist paradigm (Bryman, 2012) adopted by the researcher, favoured an inductive-led theory-building research methodology, which draws heavily on the work of Eisenhardt (Eisenhardt, 1989, 1991; Eisenhardt & Graebner, 2007). The theory-building approach and constructivist ontological perspective of the researcher also influenced the order of appearance of the thesis chapters. While the thesis structure still follows the common research logic of first identifying research questions, then explaining the research methodology and methods, followed by research results, discussion, conclusion and recommendations, the theory-building nature of

this research exercise, with its emphasis on emergent insights, has meant that many key aspects of the literature are not introduced until the discussion chapter, after the relevant themes have been identified in the result chapters. There is therefore no standalone literature review chapter within this thesis. Instead, the layout reflects the logic of the research methodology, with sensitisation literature and associated sensitisations introduced immediately following introduction of the methodology and methods; but with the integrating framework for literature synthesis determined by the emergent themes and insights, and therefore delayed through to the discussion and theory building chapter, where it can be integrated directly in relation to the emergent insights. In essence, prior literature and research data influence the final synthesis. A detailed exposition of this approach in relation to PhD studies is provided by Dunne (2011).

Specifically, the structure of this thesis is as the follows.

Chapter 1 Introduction

This introductory chapter lays out the background of this PhD research, as well as setting the research context and aim, and the paradigmatic framework.

Chapter 2 Research Methodology and Methods

Chapter 2 presents in detail the philosophical framework (ontology, epistemology and methodology) of this PhD study, as well as the consequential research methods. Sensitising literature and sensitisations identified by the researcher are laid out.

Chapter 3 Research Results I: How Things Are

The empirical findings from the in-depth interviews have been categorised into three results chapters. Chapter 3 is dedicated to describing how things are, through the eyes of the informants.

Chapter 4 Research Results II: Why Things Are the Way They Are

This second results chapter provides an interpretation, by the informants, of why things are the way they are in business dealings in China within the agri-food sector.

Chapter 5 Research Results III: Agribusiness Pathways in China

The last results chapter, Chapter 5, presents some practical advice, given by the informants, on how New Zealand entrepreneurs should go about venturing into China, particularly in the agri-food sector.

Chapter 6 Discussion and Theory Development

Drawing on the results, the emergent themes, and the literature relating to those themes, a sociological framework is developed which encapsulates the inherent Chinese social institutions,

and how these institutions interact and mutually reinforce each other. This chapter also addresses whether or not the unique and defining characteristics of the food and agribusiness sector impose added challenges in building and managing cross-cultural business relationships.

Chapter 7 Conclusions, Reflections and Recommendations

The last chapter summarises the entire PhD endeavour, along with the issues and conclusions that result from the emergent themes. Consideration is given to the possible implications of the researcher's bilingual and bi-cultural personal constructs on the research outcomes. Transferability of the research findings and the associated limitations of this research are considered, and recommendations for future research initiatives are provided.

The sequential flow of the thesis is depicted in **Figure 1**.

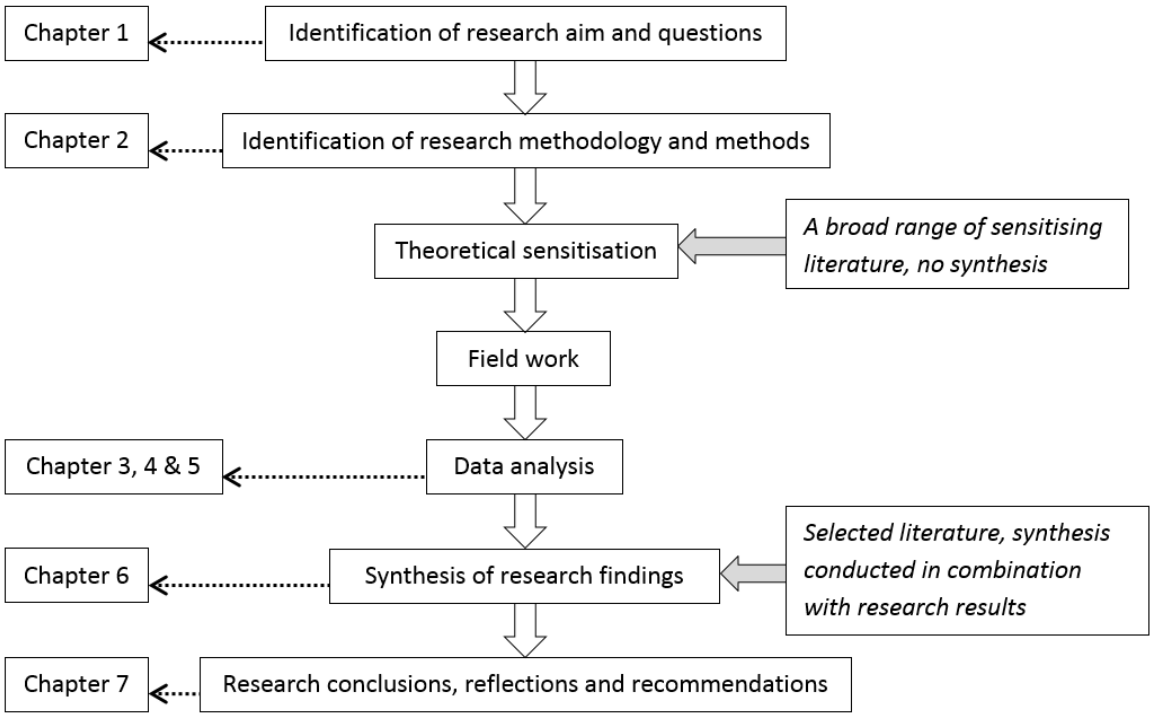

Figure 1 Research Procedure and Corresponding Thesis Structure

Chapter 2

Research Methodology and Methods

2.1 Underpinning Ontology and Epistemology

Before the specific research methodology and method can be considered, it is essential to evaluate the underpinning ontological and epistemological positions of the researcher.

2.1.1 A constructivist ontological position

Grix (2002) points out that ontology should be the starting point of all research, after which one's epistemological and methodological positions logically follow. Ontology is traditionally understood as the "science or study of being" (Lawson, 2004, p. 1). Blaikei (2007, p. 92) suggests that, in the social research context, ontological assumptions are concerned with social reality: "These assumptions make claims about what kinds of social phenomena do or can exist, the conditions of their existence, and the way in which they are related." An individual's ontological position is his/her answer to the question "what is the nature of the social and political reality to be investigated?" (Hay, 2006, p. 80); it is an assumption that is impossible to refute empirically (Hughes & Sharrock, 1997, pp. 5-6). It is only after this question has been asked and answered that one can discuss what we can know about this social and political reality that is thought to exist (Grix, 2002, p. 177).

Grix (2002) also notes that ontological positions are contained within the contrasting perspectives of 'objectivism' and 'constructivism'. While the former is "an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors" (Bryman, 2012, p. 33), the latter is an alternative ontological position which "asserts that social phenomena and their meanings are continually being accomplished by social actors. It implies that social phenomena and categories are not only produced through social interaction but that they are in a constant state of revision" (Bryman, 2012, p. 33). It is this latter, constructivist, ontological position that the researcher holds for matters concerning social reality. To put it in the context of this particular research, the researcher believes that cross-cultural business relationships between New Zealanders and Chinese are continually being accomplished by the people involved, and such relationships are produced through their social interaction, which is in a constant state of revision.

2.1.2 An interpretive epistemological position

Epistemology refers to "the branch of philosophy that deals with what can be counted as knowledge, where knowledge is located, and how knowledge increases" (Cunningham & Fitzgerald, 1996, p. 36). Grix (2002, p. 177) defines epistemology in the social research context as a core branch of philosophy that "is concerned with the theory of knowledge", especially in relation to its methods and validation. Blaikei (2007, p. 92) suggests that an individual's

epistemological assumptions "are concerned with what kinds of knowledge are possible – how we can know these things – and with criteria for deciding when knowledge is both adequate and legitimate". There are two contrasting epistemological positions in social science, 'positivism' and 'interpretivism' (Grix, 2002). The former, 'positivism', is the logical outcome of the ontological position of 'objectivism'. It is an epistemological position that "affirms the importance of imitating the natural sciences" (Bryman, 2012, p. 27). In contrast, the constructivist ontological position discussed above naturally leads to an 'interpretivist' epistemological position, which is where this researcher stands. Interpretivism holds that "the subject matter of the social sciences – people and their institutions – is fundamentally different from that of the natural sciences. The study of the social world therefore requires a different logic of research procedure, one that reflects the distinctiveness of humans as against the natural order" (Bryman, 2012, p. 28). In the context of this particular research, the researcher's interpretive epistemological position means that this project seeks to interpret, through cultural lenses, the incidents and behaviours within the selected agribusinesses, from which deeper insights of a cross-cultural business relationship between New Zealanders and Chinese will be attained.

2.2 Research Methodology

In the past decades scholars have deliberated at length the different types of research methodologies and methods within qualitative research (Aliseda, 2006; Blaikei, 2007; Bluhm, Harman, Lee, & Mitchell, 2011; Blumer, 1954; Bowen, 2006; Bryman, 2012; Charmaz, 2003, 2006; Corbin & Strauss, 2014; Dunne, 2011; Eisenhardt, 1989, 1991; Eisenhardt & Graebner, 2007; Flyvbjerg, 2006; Gilgun, 2007; B. Glaser & Strauss, 1967; Barney G. Glaser, 1978; Barney G Glaser, 1992, 1998; Grix, 2002; Guba & Lincoln, 1994; Heath, 2006; Heath & Cowley, 2004; Hughes & Sharrock, 1997; N. King & Horrocks, 2010; Mills, Bonner, & Francis, 2008; Mintzberg, 1979; Morse & Mitcham, 2002; O'Leary-Kelly & J. Vokurka, 1998; Padgett, 2004; Patton, 2002; Siggelkow, 2007; Anselm L Strauss, 1987; Anselm Leonard Strauss & Corbin, 1990; Suddaby, 2006; Yin, 2009). Key philosophical issues include: theory-building versus theory-testing; induction versus deduction; the role of emergent insights versus prior hypotheses; and scientific rigour, with a particular focus on validity, reliability and generalisability. These debates play out across a range of disciplines, including both sociology and management science. The debates have been particularly explicit within grounded theory (Babchuk, 1996; B. Glaser & Strauss, 1967; Barney G. Glaser, 1978; Barney G Glaser, 1992, 1998; Heath & Cowley, 2004; Mills et al., 2008; Anselm L Strauss, 1987; Anselm Leonard Strauss & Corbin, 1990). Within case study literature relating to management, the key debates are captured by competing philosophies as espoused by Eisenhardt and Yin. Given the

case study focus of this PhD research, these two authors are used below to capture the essentials of the debates.

2.2.1 A comparison of Eisenhardt's and Yin's methodologies

Both Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and Yin (2009) are internationally highly respected scholars, whose distinctive research methods are well documented and referred to as guiding principles in contemporary social science research. Yin (2009) holds the belief that a deductive-led approach, or 'theory testing', offers a rigorous structure to research, thereby facilitating reliability of the research outcome; in contrast, Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) advocates an inductive-led method, or 'theory building', because it sets comparatively fewer limitation on the themes emerging out of the data. The former believes that the human intellect should direct researchers to a proposition or hypothesis using a deductive-led approach, based on knowledge of the existing theory, and the data from the field work will testify either for or against the proposition or hypothesis (Yin, 2009). The latter, conversely, believes that human cognitive ability should be used to identify themes from the data and subsequently draw theory from these themes using an inductive-led approach (Eisenhardt, 1989; Barney G. Glaser, 1978; Patton, 2002).

The following synthesis is based on a study of Yin (2009), which systematically addresses the specific design and methods − and the logic behind these − of his theory-testing approach; and of Eisenhardt (1989), which explains in detail the procedure and reasoning of the theory-building approach that she advocates. The researcher's understanding of the theory-building approach also drew on Eisenhardt and Graebner (2007), which further illuminated the specific challenges, and the techniques that can be used to combat these challenges, when using theory-building case study research method.

In essence, the differences between what will hereafter be referred to as Eisenhardt's and Yin's methods is largely theory-building versus theory-testing, respectively. One may say that the difference also lies in the distinction between an inductive method and a deductive one. However, the theory-building process explained by Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) is not entirely an inductive approach: deductive methods are also included. Similarly, the theory-testing process described by Yin (2009) can also include inductive reasoning.

2.2.1.1 Different starting points

Both Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and Yin (2009) suggest starting case study research with a literature review. The difference is that while Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) recommends the researcher familiarises him/herself with

the existing theoretical constructs within a broad range of topics, to provide a general direction for the investigation, Yin (2009) suggests the investigator develop, based on the existing theoretical frameworks, a proposition or hypothesis, which can subsequently be tested in the investigation. Contrary to the starting point of Yin's (2009) theory-testing approach, Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) advocates that theory-building research begin "as close as possible to the ideal of no theory under consideration and no hypotheses to test" (p. 536).

2.2.1.2 Using the same logic to produce a strong theory

In the next stage of case selection, both Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) and Yin (2009) recommend choosing case(s) based on theoretical rather than statistical reasons. Cases may be chosen based on the characteristics they display of the phenomenon under study, thereby providing rich data for the building or testing of a theory. In the circumstances where multiple cases are chosen, both approaches look to use the logic of replication to build a strong theory. That is, if the same construct fits more than one case, or the same proposition/hypothesis leads to the same results with more than one case, then the theory built/tested is proven to be more applicable and can be regarded as a strong theory.

2.2.1.3 A possible similarity in data analysis

The above similarity is also reflected in the next stage of both research processes, data analysis, as both methods may involve interchanging inductive and deductive methods during this step of the research. On the one hand, Eisenhardt recommends that, after an emergent frame has taken shape, a process of iteration be conducted to compare the constructs with data, "so that accumulating evidence from diverse sources converges on a single, well-defined construct" (Eisenhardt, 1989, p. 541). This is the first step in shaping hypotheses. The second step is to verify that "the emergent relationships between constructs fit with the evidence in each case" (Eisenhardt, 1989, p. 542). Although the first step involves using an inductive method to build a theory that better fits all cases, the second step involves using a deductive approach to test if the theory that has just been built can be validated by each case. If a case turns out to disconfirm the construct/theory, then the researcher will need to go back to the data of this case, using an inductive method to refine or expand the construct/theory.

On the other hand, Yin's (2009) approach is deductive-led theory testing, especially when the result of such a theory-testing exercise supports the proposition or hypothesis. When the result of the theory-testing practice does not support the proposition or hypothesis, Yin suggests that the design of the research should be flexible, so that the theory to be tested can be adjusted (p. 62).

Such adjusting would require inductive reasoning, based on the data collected, to come up with a revised theory that is more likely to suit the case. This revised theory would then need to be tested again, using a deductive method.

2.2.1.4 Differences and similarities in dealing with validity and reliability issues

2.2.1.4.1 Construct validity

Construct validity refers to the confidence in the measures set by the investigator for the construct to see if they would sufficiently and truthfully measure the intended concepts (O'Leary-Kelly & J. Vokurka, 1998; Yin, 2009). Both Eisenhardt's and Yin's methods face the same challenge of establishing construct validity. Although the starting points of the processes are different, when it comes to the point of establishing construct validity, both recommend similar approaches. Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) suggests that the sharpening of constructs should involve two steps:

1) "refining the definition of the construct, and
2) building evidence which measures the construct in each case" (Eisenhardt, 1989, p. 541) .

A rather similar approach is suggested by Yin (2009):

1) define "specific concepts (and relate them to the original objectives of the study) and
2) identify operational measures that match the concepts (preferably citing published studies that make the same matches)" (p. 42).

Both methods require a clear definition of the construct/concept and identification of the measures for this construct/concept. The difference is that the inductive-led method of Eisenhardt searches for evidence within the data collected to develop the initially loosely undefined construct, while the deductive-led method of Yin goes out and collects data with tools such as sampling frame and interview questioning techniques, strongly influenced by the already hypothesised constructs.

Despite the different operational directions that both methods have, the tactics for increasing construct validity suggested by Yin (2009) are applicable in both processes. These are: use multiple sources of evidence, establish a chain of evidence, and have the draft case study report reviewed by key informants (p. 42).

2.2.1.4.2 Internal validity

While construct validity is concerned with the measures of the construct, internal validity deals with the causal relationships within a construct. It reflects the confidence in the totality of the possible causes for any inference that a construct claims. The deductive-led nature of Yin's (2009) method makes it particularly challenging to establish internal validity of a case study. This is

because deductive reasoning requires a clearly defined premise prior to research, often without knowing if the premise will encompass all the related variables. As Yin (2009) states, “the specific tactics for achieving this result (internal validity) are difficult to identify” (p. 43). He does, however, suggest four tactics to combat this challenge: pattern matching, explanation building, addressing rival explanations, and using logic models (p. 43).

Contrary to Yin’s method, the inductive-led nature of Eisenhardt’s method makes establishing internal validity less challenging. The open-mindedness of the researcher prior to data collection means that the premise of the research is not limited at the start. Variables will emerge from the data, which are therefore more likely to encompass all those that are related to the issue under investigation. This comes with its own challenge of the potentially overwhelming volume of data. As a result, a prior theoretical sensitisation to provide a general direction becomes necessary. In addition to this all-encompassing construct/theory-building procedure, Eisenhardt also suggests that rival explanations be considered and eventually ruled out, to give the construct/theory more validity (Eisenhardt, 1989, p. 548).

2.2.1.4.3 External validity

External validity concerns the generalisability of the construct/theory beyond the immediate case study (Yin, 2009, p. 43). Both Eisenhardt’s and Yin’s methods face the criticism that “single cases offer a poor basis for generalizing” (Yin, 2009, p. 43). Yin (2009) argues that the “analogy to sample and universes is incorrect when dealing with case studies”, as “survey research relies on *statistical* generalization, whereas case studies (as with experiments) rely on *analytic* generalization” (p. 43). In other words, instead of generalisation based on the results of a survey of randomly selected samples, case studies and experiments rely on identifying the inherent logic within each case and experiment, from which a deeper understanding of the phenomenon under study can be achieved. In addition, analytic generalisation is about generalising from specific contextual situations to fundamental principles, and therefore requires testing in diverse contexts before we can be confident that the construct is robust.

This argument of *analytic* generalisation instead of *statistical* generalisation applies to Eisenhardt’s methods as well. What case studies strive to achieve, regardless of the methods, is building new theory or enriching existing theory. This theory can then be tested for its applicability to other contexts that are likely to respond to such theory, therefore moving forward human understanding of the complex world.

It is worth noticing, nevertheless, that Yin (2009) points out that to achieve such analytic generalisation, a theory “must be tested by replicating the findings in a second or even a third”

case (p. 44), because analytic generalisation can only be achieved with a diversity of cases. Such replication logic also applies to Eisenhardt's method, as discussed previously.

2.2.1.4.4 Reliability

Reliability refers to confidence that the research process is free of errors and biases, and therefore capable of reaching the same outcome if repeated. To address the reliability issue, Yin (2009) suggests that the procedure of a case study be well documented, so that a later investigator can follow the same process described by an earlier investigator and conduct the same case study all over again. If this later investigator arrives at the same findings and conclusions, then one can claim that the initial case study was reliable. Yin emphasises that this is to do the same case over again (*investigator* triangulation), not to replicate the results of one case by doing another case study (p. 45). Such a reliability test is possible, because not only has the process of an earlier case study been well documented, but also the deductive nature of the research has determined relatively confined measures of the data. Yin (2009) argues that the "goal of reliability is to minimize the errors and biases in a study" (p. 45). However, one could perhaps argue that because the later investigator has no control over the actual process of the research, he/she could be easily influenced by the opinions of the earlier researcher (who actually conducted the research), and is therefore more likely to arrive at the same findings and conclusions. If such an argument stands, then the validity of such a reliability test would be questionable, and therefore undermine the reliability of the earlier case study.

This principle of the reliability test may not apply to Eisenhardt's method. This is because even if all the data has been well recorded, a later investigator, using the same data, may well have a dissimilar insight, and discover some distinctive themes that were not uncovered by the earlier investigator. This should not be regarded as detrimental to the reliability of the earlier research, however. Such later investigation should be welcomed, because it opens up the opportunity to further enrich the theory. In a sense, this is equivalent to using multiple investigators to triangulate the findings and enhance confidence in achieving an expanded theory.

Regardless of Eisenhardt's or Yin's methods, the reliability of case study research ultimately lies in its direct connection with the empirical evidence. If a careful analytical procedure has been followed, the evidence supports the theory, the rival theory has been considered, and each step of the research process has been well documented for any further investigation, then the researcher should have confidence that the theory established through such research is valid.

2.2.1.5 Practical implications

In practice, whether one follows Eisenhardt's or Yin's method, or a combination of both within a multi-stage framework, is most likely to be determined by the state of the existing literature. If little can be found about the topic to be investigated (requiring an exploratory study), or the particular aspect of a topic to be studied is mostly unknown (requiring an in-depth study), then it is likely that the propositions or hypotheses will lack sophistication. In this situation, Eisenhardt's approach would be more appropriate. As Eisenhardt points out, "building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic" (Eisenhardt, 1989, p. 548).

On the other hand, if a topic has been reasonably well researched but the investigator is looking to further deepen understanding of the topic, or to see if an existing theory would apply in different circumstances, then it is possible that a proposition or hypothesis could be formed based on existing theory. In this situation Yin's deductive-led approach would be more suitable.

Another possibility for an in-depth study is to employ a multi-stage framework. One could start the research with Eisenhardt's approach, using an inductive method to build a new theory at the first stage of the investigation. Then, in the second stage, one could adopt Yin's method to test the theory that was established in the first stage, to further validate or develop the theory. It is worth noticing, however, that at any time during the whole of this multi-stage research process one would be using inductive *or* deductive reasoning, but not both.

Whether one is using theory-building or theory-testing, so long as a careful analytical procedure with a clear logic has been followed, and the findings are supported by empirical evidence, one should be confident with the quality and validity of the final theory produced.

2.2.2 An inductive-led theory-building approach for this research

There are three reasons why an *inductive-led theory-building approach* has been chosen as the most appropriate approach for this particular research. First, the complex nature of cross-cultural business relationships means that an inductive-led theory-building approach is more likely to provide an all-encompassing outlook of all the social factors involved in such relationships. Secondly, the fact that the context of food and agribusiness is a relatively new territory for research on cross-cultural relationships means that an inductive-led theory-building approach will allow a better exploration of the likely social factors. In other words, the complexity and novelty of the proposed study imply that such an approach will provide better internal validity for the theory to be constructed.

The third reason for the choice of an inductive-led theory-building approach was determined by the constructivist-interpretivist paradigm adopted by the researcher consequential to the research questions and context. This is because the constructivist-interpretivist paradigm sees the social reality of cross-cultural business relationships as constantly changing due to the active interaction of the people involved, such that it is likely to be interpreted differently by people from different cultural backgrounds. This nature of constant change and different cultural interpretation brings elements of uncertainty of interpretation from the researcher's perspective. Having a pre-existing proposition or hypothesis is therefore likely to limit the capacity of relevant themes to emerge from the data. This led to adoption of an inductive-led theory-building approach, drawing predominantly from Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007), but also from grounded theory.

2.3 Research Methods

2.3.1 A case study research method

Having evaluated the underpinning ontology and epistemology, as well as the potential research methodologies that could be applied, it was deemed most suitable to use an inductive-led theory-building case study research method for this particular study.

The choice of an inductive-led theory-building research method was explained in *2.2.2 An inductive-led theory-building approach for this research* above. This choice is further affirmed by the literature. As Eisenhardt (1989, pp. 548-549) points out, "given the strengths of this theory-building approach and its independence from prior literature or past empirical observation, it is particularly well-suited to new research areas or research areas for which existing theory seems inadequate".

Also, Yin (2009, p. 18) defines case study research method as "an empirical inquiry that … investigates a contemporary phenomenon in depth and within its real-life context". In the case of this particular study, the phenomena under investigation − cross-cultural business relationships − are contemporary phenomena, in the real-life context of food and agribusiness, and the complexity of cross-cultural business relationships requires in-depth investigation to provide meaningful insights.

2.3.2 Theoretical sensitisation

Mintzberg (1979, p. 585) notes that "no matter how small our sample or what our interest, we have always tried to go into organisations with a well-defined focus – to collect specific kinds of data systematically". Blumer (1954, p. 7) compares definitive concepts with *sensitising* concepts:

> A definitive concept refers precisely to what is common to a class of objects, by the aid of a clear definition in terms of attributes or fixed bench marks. … A sensitizing concept lacks such specification of attributes or bench marks and consequently it does not enable the user to move directly to the instance and its relevant content. Instead, it gives the user a general sense of reference and guidance in approaching empirical instances. Whereas definitive concepts provide prescriptions of what to see, sensitizing concepts merely suggest directions along which to look.

Several scholars view sensitising concepts as "interpretive devices and as a starting point for a qualitative study" (Barney G. Glaser, 1978; Padgett, 2004; Patton, 2002). Sociologist Charmaz (2003, p. 259), writing from a constructivist perspective, refers to sensitising concepts as "those background ideas that inform the overall research problem", and further explains:

> Sensitizing concepts offer ways of seeing, organizing, and understanding experience; they are embedded in our disciplinary emphases and perspectival proclivities. Although sensitizing concepts may deepen perception, they provide starting points for building analysis, not ending points for evading it. We may use sensitizing concepts only as points of departure from which to study the data.

Indeed, one will always have more or less preconceived ideas about the issues under study, given that the mere thought of conducting a particular research study requires having some sort of idea about what the outcome of such research might be. As Gilgun (2007, p. 7) points out, "research usually begins with such concepts, whether researchers state this or not and whether they are aware of them or not". If preconceived ideas cannot be totally avoided, one is better off knowing what other opinions are out there rather than being solely influenced by one's own perception, so that appropriate probes can be developed for the field work that is to follow.

One might argue at this point that theoretical sensitisation is one step closer to the theory-testing methodology, and would be seen as a compromise by advocates of pure inductive methodology. However, the key issue for this thesis is that sensitising concepts are not used for hypothesis development; rather, they are used "to lay the foundation for the analysis of research data" (Bowen, 2006, p. 14), to identify topics, concepts and constructs to explore, and to develop probes for the field work.

The procedure of conducting a theoretical sensitisation for this particular research was undertaken by reading a wide range of literature that was considered to be of relevance to this study. Given that the purpose of this theoretical sensitisation is to provide guidance for the field

work, no synthesis of the literature was conducted at this point. The following table (**Table 1**) shows the topics and literature that were covered in this sensitising exercise, and the sensitisations identified through this process.

Table 1 Research areas and literature related to cross-cultural business relationships between New Zealanders and Chinese, and Sensitisation Identified

Research area	Author(s)	Title	Sensitisation
Cross-cultural business relationships	Johnson et al. (2006)	Cross-cultural competence in international business: Toward a definition and a model	Cross-cultural competence is demonstrated by behaviours rather than knowledge.
	Mavondo & Rodrigo (2001)	The effect of relationship dimensions on interpersonal and inter-organizational commitment in organizations conducting business between Australia and China	Interpersonal commitment is an important antecedent to inter-organisational commitment.
	Seak & Enderwick (2008)	The management of New Zealand expatriates in China	Many New Zealand organisations have a poor understanding of the Chinese business system and culture.
	Selmer (1999)	Culture shock in China?: Adjustment pattern of western expatriate business managers	Westerners learn to adapt their socio-cultural behaviours much faster than they adapt their underlying psychological constructs towards Chinese culture.
	Shenkar (2012a)	Beyond cultural distance: Switching to a friction lens in the study of cultural differences	Culture affects theoretical frameworks and ways of thinking, as well as behaviours.
	Shenkar (2012b)	Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences	Cultural differences have the potential for both synergy and disruption.
	Williams et al. (1998)	A conceptual model and study of cross-cultural business relationships	"Knowledge of cultural orientation and its relationship to the social and structural bond that exists between partners is a key predictor of long-term commitment in cross-national business

			relationships" (Williams et al., 1998, p. 135).
	Zhu et al. (2006)	A cross cultural study of communication strategies for building business relationships	When initiating a business relationship, Chinese business managers tend to employ more interpersonal strategies.
Impact of cross-cultural relationships on consumer behaviours	Eves & Cheng (2007)	Cross-cultural evaluation of factors driving intention to purchase new food products – Beijing, China and south-east England	Consumer behaviours are culturally and demographically (age, wealth, urban vs. rural) dependent, and cannot be transferred between cultures.
Chinese culture and social relationships	Hall & Ames (1987)	Thinking through Confucius	Confucian values and their profound impact on Chinese culture
	Yang (1994)	Gifts, favors, and banquets: The art of social relationships in China	Gifts, favours and banquets are the lubricant of social relationships in China
Guanxi	Ai (2006)	*Guanxi* networks in China: Its importance and future trends	*Guanxi* network is "an evolving cultural and social phenomenon" (Ai, 2006, p. 116).
	Chang (2011)	A path to understanding *guanxi* in China's transitional economy: Variations on network behavior	*Guanxi* can take different strategic forms: accessing, bridging, and embedding.
	Chen & Chen (2004)	On the intricacies of the Chinese *guanxi*: A process model of *guanxi* development	The individual is "the architect in relationship construction." (X.-P. Chen & Chen, 2004, p. 320)
	Fan (2002)	Questioning *guanxi*: Definition, classification and implications	"The existence of *guanxi* base (special relationship) does not produce *guanxi*" (Fan, 2002, p. 543).
	Luo (1997)	*Guanxi*: Principles, philosophies, and implications	Chinese and Western business people approach a new relationship from opposite ends, and *guanxi* plays a central role in affecting business conduct and social life in the Chinese context.
	Luo, Huang, & Wang (2012)	*Guanxi* and organizational performance: A meta-analysis	Business ties "have a bigger impact on operational performance,

			whereas government ties exert larger effects on economic performance" (Y. Luo et al., 2012, p. 139).
	Park & Luo (2001)	*Guanxi* and organizational dynamics: Organizational networking in Chinese firms	Institutional, strategic, and organisational factors are critical determinants of *guanxi*.
	Zhang & Zhang (2006)	*Guanxi* and organizational dynamics in China: A link between individual and organizational levels	*Guanxi* can be classified into obligatory, reciprocal, and utilitarian types at the individual level.
Joint ventures in China	Chen & Wilson (2003)	Standardization and localization of human resource management in Sino-foreign joint ventures	The dialectic of standardisation and localisation is at the heart of negotiating successful international joint venture practices.
	Kai Ming Au & Enderwick (1994)	Small firms in international joint ventures in China: The New Zealand experience	"New Zealand investors tend to have a less tolerant attitude towards most of the operational problems in their Chinese joint ventures" (Kai Ming Au & Enderwick, 1994, p. 92).
	Reuer, Tyler, Tong, & Wu (2012)	Executives' assessments of international joint ventures in China: A multi-theoretical investigation	Executives "attach greater weight to opportunities to access resources or growing markets rather than risk" (Reuer et al., 2012, p. 331).
	Ying (1996)	Research on joint ventures in China: Progress and prognosis	Cross-cultural management should be the central theme for joint venture research involving China.
	M. Cone & Everett (2003)	Information asymmetry and management control issues in a Sino-French IJV in China	Control systems can be rule-based or context-dependent, and this links to culture and habitus.
Cultural ideologies and implied managerial philosophies in China	Cone (2007)	Living Chinese philosophy – Confucianism and Daoism in 21st century China	Pragmatism lies in the heart of Chinese philosophies.
	Foy (2012)	Buddhism in China – Fojiao: The teaching of Buddha, the enlightened one	Buddhism flourished in China because of its adoption of some key Daoism principles.

	Lai (2004)	Learning from the stones: A GO approach to mastering China's strategic concept, SHI	Relying on the propensity of things and going with the flow is the key for Chinese strategic thinking.
	McDonald (2012)	Confucian foundations to leadership: A study of Chinese business leaders across Greater China and South-East Asia	"Confucianism is the most dominant ideological influence and the one that most distinguishes the fundamentals of Asian business leadership from those of the West" (McDonald, 2012, p. 465).
	Pan, Rowney, & Peterson (2012)	The structure of Chinese cultural traditions: An empirical study of business employees in China	Confucianism, Buddhism/Daoism, Legalism and Art of War are key components of Chinese cultural traditions.
	Sigurðsson (2012)	Li 禮, ritual and pedagogy: A cross-cultural exploration	Li can be both formal, ritualised and informal and interpersonal, contributing towards the ongoing evolution of one's cultural habitat.
	Xing (1995)	The Chinese cultural system: Implications for cross-cultural management	"The cultural system is influential in all aspects of Chinese social lives including business management" (Xing, 1995, p. 20).
	Yang (2012)	Confucianism, socialism, and capitalism: A comparison of cultural ideologies and implied managerial philosophies and practices in the P. R. China	Contemporary organisational behaviours and management practices are influenced by Confucianism, socialism, and capitalism.
	H. Zhang & Cone (2012)	Understanding Chinese economic development and policy in aesthetic order	Chinese economic development and policy can be understood in an aesthetic order achieved via pragmatic means.
Trust and commitment	Bachmann & Inkpen (2011)	Understanding institutional-based trust building processes in inter-organizational relationships	The "influence of institutions can be particularly conducive to building trust" (Bachmann & Inkpen, 2011, p. 281).

	Blois (1999)	Trust in business to business relationships: An evaluation of its status	There is a difference between the fragility and the complexity of trust between businesses.
	Castaldo, Premazzi, & Zerbini (2010)	The meaning(s) of trust. A content analysis on the diverse conceptualizations of trust in scholarly research on business relationships	Trust is "an expectation… that a subject distinguished by specific characteristics… will perform future actions aimed at producing… positive results for the trustor… in situations of consistent perceived risk and vulnerability" (Castaldo et al., 2010, pp. 665-666).
	Jiang, Chua, Kotabe, & Murray (2011)	Effects of cultural ethnicity, firm size, and firm age on senior executives' trust in their overseas business partners: Evidence from China	Executives trust their overseas partner differently, depending on the partners' cultural ethnicity, firm size and firm age.
	Ndubisi (2011)	Conflict handling, trust and commitment in outsourcing relationship: A Chinese and Indian study	The impact of compromising conflict handling on trust and commitment is significantly higher for the Chinese compared to the Indians.
	Welter (2012)	All you need is trust? A critical review of the trust and entrepreneurship literature	Trust is diverse, complex and context dependent. Trust can be both a dispositional and a behavioural outcome.
	Cai, Jun, & Yang (2010)	Implementing supply chain information integration in China: The role of institutional forces and trust	Government support and importance of *guanxi* significantly affect trust between buyers and suppliers.
Chinese strategic thinking	Jullien (1999)	The propensity of things: Toward a history of efficacy in China	Chinese strategic thinking relies on the position and potential of things.
	Jullien (2004)	A treatise on efficacy: Between Western and Chinese thinking	The efficacy of Chinese strategic thinking stems from their reliance on the position and potential of things, rather than planning (as Westerners tend to do).

Food safety and security in China	Khan, Hanjra, & Mu (2009)	Water management and crop production for food security in China: A review	Water and its relations to other development-related sectors will determine future food security and poverty reduction in China.
	Qiao, Guo, & Klein (2012)	Melamine and other food safety and health scares in China: Comparing households with and without young children	The Melamine scandal raised Chinese consumers' concern on food safety issues, particularly for households with children.
Eastern and Western world views	Nisbett (2003)	The geography of thought: How Asians and Westerners think differently ... and why	Chinese thinking is circumstantial and contextual, while Western thinking is more absolute and abstract.
Western philosophies	Shand (2002)	Philosophy and philosophers: An introduction to Western philosophy	Greek and Judeo-Christian values have significant influence on Western philosophies.
Contemporary sociology	Swartz (1997)	Culture and power: The sociology of Pierre Bourdieu	"Bourdieu proposes a sociology of symbolic power that addresses the important topic of relations between culture, social structure and action" (1997, p. 6).
	Webb, Schirato, & Danaher (2011)	Understanding Bourdieu	Definitions of cultural field, cultural capital and habitus; Bourdieu's contribution to the field of sociology.
	Bourdieu (1984)	Distinction: A social critique of judgement of taste	Habitus x capital + field = practice
Modern economics	Drucker (2006)	Classic Drucker: Essential wisdom of Peter Drucker from the pages of *Harvard Business Review*	Management by Objectives is one of many contributions that Drucker contributed towards management theory.
	Kennedy (2011)	Adam Smith and the role of the metaphor of an invisible hand	The metaphor of an invisible hand meant differently in Adam Smith's original texts compared to its more commonly known modern meaning in economics.
	Ruffin (2002)	David Ricardo's discovery of comparative advantage	What the law of comparative advantage

			is, and how Ricardo discovered it.
	Dillard (1984)	Keynes and Marx: A centennial appraisal	The economic principles of Keynes and Marx may be described as monetary theory of production.
Cross-cultural communication	Leezenberg (n.d.)	Confucius meets Bourdieu: Performative language and symbolic power in ancient China	Both Confucius and Laozi focus on what Bourdieu would call the symbolic power involved in socially effective language usage.
	Jackson (2008)	Pierre Bourdieu, the 'cultural turn' and the practice of international history	Culture shapes individual and collective policy decisions, and this is in accordance with Bourdieu's social theory.
	He & Liu (2010)	Barriers of cross cultural communication in multinational firms: A case study of Swedish company and its subsidiary in China	Culture influences people's way of thinking and behaving, leading to communication barriers.
Psychology	Kelly (1955)	The psychology of personal constructs	One makes sense of the world around him or her according to his or her personal constructs actively developed through previous life encounters.
New Zealand history	King (2003)	The Penguin history of New Zealand	The pioneering nature of New Zealand's development from bush to farmland gives New Zealanders the affinity to pragmatic approaches to things.

2.3.3 Theoretical sampling

Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) points out that for the purpose of developing rather than testing theory, theoretical sampling is appropriate for a theory-building case study research method. Cases are to be selected "because they are particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner, 2007, p. 27). In addition, multiple cases are selected in order to enable the comparisons that clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases (Eisenhardt, 1991). The choice of multiple cases also allows more

precise delineation of the constructs and relationships, because "it is easier to determine accurate definitions and appropriate levels of construct abstraction" (Eisenhardt & Graebner, 2007, p. 27).

Through networks of the researcher's supervisors, who had been doing China- and/or food and agribusiness-related research for over 20 years, some initial informants were contacted, and they consented to participate in this research. Despite the extensive research and networks the two supervisors have, because China has only become a significant market for New Zealand food and agribusiness products and services within the last decade, the choice of cases that could be studied was limited. The criteria used for choosing informants were therefore broad, and included:

1) the informant must have worked in the area of food and agribusiness
2) the informant must have had dealings in his/her professional capacity with China, either via exporting New Zealand food and agribusiness products (or services) to China, or working in or with the food and agribusiness sector in China.

From the above-mentioned initial informants, using the snowballing technique 38 informants from 25 food and agribusiness firms were eventually contacted. Each informant was asked to share his/her own experiences with the researcher in chronological order of actual events, and give interpretation of the events based on his/her own paradigm. Each interview therefore took its own direction depending on the interviewee's background and types of businesses involved, and for this reason every interview, or the perspectives of each informant, is regarded as one case study. The number of cases was based on institutional advice as to the appropriate number for PhD research, but was also constrained by time and financial considerations. This number of cases (38) was deemed sufficient for this particular study after the 38th interview was completed, as the themes emerged from the first stage interviews (Case Nos 1−9 in **Table 2** below) were reinforced regularly from Case no 10, and no new themes surfaced after Case No. 29. The continuation of the case studies allowed further deepening and enrichment of the themes that had emerged from the previous interviews, and assisted in triangulating and thereby strengthening of the internal validity, external validity and reliability of the emergent theory. This approach is also in agreement with the replication logic in the iteration process recommended by Eisenhardt (1989), who recommends that "researchers should stop adding cases when theoretical saturation is reached" (p. 545). Of course, no claims of total saturation can be made, as the possibility of further themes can never be totally discounted.

All of the 38 informants consented to participate in this study, although three declined to have the interviews recorded. A detailed description of the informants (identification details are

omitted for confidentiality purposes) can be seen in **Table 2** below. Interviews were conducted face to face unless otherwise specified.

Table 2 Description of informants and interviews

Case No.	Industry	Operating Location	Ethnicity	Level of Management Position or Nature of Involvement	Date Interviewed	Location of Interview
1	Food service	China	European	Senior	Tue, 6 Nov 2012	Beijing
2	Food service	China	European	Senior	Tue, 6 Nov 2012	Beijing
3	Food service	China	Chinese	Senior	Tue, 6 Nov 2012	Beijing
4	Food service	China	Chinese	Middle	Tue, 6 Nov 2012	Beijing
5	Horticulture	China	Māori	Senior	Tue, 13 Nov 2012	Xi'an
6	Horticulture	China	Chinese	Senior	Tue, 13 Nov 2012	Xi'an
7	Horticulture	China	European	Senior	Thu, 15 Nov 2012	Kunming
8	Horticulture	China	Chinese	Senior	Sat, 16 Nov 2012	Kunming
9	Horticulture	China	Chinese	Senior	Fri, 16 Nov 2012	Kunming
10	Agritech	New Zealand	European	Consultant	Tue, 27 Nov 2012	Lincoln
11	Agritech	New Zealand	Chinese	Consultant	Wed, 10 Apr 2013	Lincoln
12	Kiwifruit	China	European	Senior	Fri, 12 Apr 2013	Wellington
13	Agritech	New Zealand	European	Consultant	Mon, 6 May 2013	Lincoln
14	Beef	New Zealand	European	Senior	Tue, 21 May 2013	North Canterbury
15	Government	New Zealand	European	Senior	Mon, 12 Aug 2013	Hawke's Bay
16	Wine	New Zealand	European	Senior	Mon, 12 Aug 2013	Hawke's Bay
17	Wine	New Zealand	European	Senior	Mon, 12 Aug 2013	Hawke's Bay

18	Wine	New Zealand	Chinese	Senior	Mon, 12 Aug 2013	Hawke's Bay
19	Wine	New Zealand	European	Senior	Mon, 12 Aug 2013	Hawke's Bay
20	Wine	New Zealand	European	Senior	Mon, 12 Aug 2013	Hawke's Bay
21	Logistics	China	European	Senior	Mon, 9 Sep 2013	Shanghai
22	Dairy	China	European	Middle	Tue, 10 Sep 2013	Shanghai
23	Business consultancy	China	European	Consultant	Wed, 11 Sep 2013	Shanghai
24	Farming supply	China	Chinese	Senior	Thu, 12 Sep 2013	Beijing
25	Dairy	China	European	Senior	Sat, 14 Sep 2013	Beijing
26	Bio-tech	China	Chinese	Middle	Sat, 14 Sep 2013	Beijing (via phone)
27	Agritech	China	European	Senior	Sun, 22 Sep 2013	Kunming
28	Agritech	China	European	Consultant	Tue, 24 Sep 2013	Guilin
29	Horticulture	China	European	Senior	Tue, 24 Sep 2013	Guilin
30	Dairy	China	European	Senior	Tue, 15 Oct 2013	Lincoln (via Skype)
31	Horticulture	China	European	Senior	Fri, 18 Oct 2013	Lincoln (via phone)
32	Agritech	China	European	Middle	Tue, 12 Nov 2013	Lincoln
33	Red meat processing	New Zealand	European	Senior	Tue, 26 Nov 2013	Invercargill
34	Red meat processing	New Zealand	European	Senior	Tue, 26 Nov 2013	Invercargill
35	Horticulture	New Zealand & China	European	Senior	Mon, 16 Dec 2013	Tauranga
36	Horticulture	New Zealand & China	European	Senior	Mon, 16 Dec 2013	Tauranga
37	Horticulture	New Zealand & China	European	Senior	Mon, 16 Dec 2013	Tauranga

38	Dairy, seafood, wine	New Zealand	New Zealander	Senior	Wed, 18 Dec 2013	Christchurch

Eisenhardt and Graebner (2007) suggest that a key approach is "using numerous and highly knowledgeable informants who view the focal phenomena from diverse perspectives", and that these informants "can include organizational actors from different hierarchical levels, functional areas, groups, and geographies, as well as actors from other relevant organizations and outside observers" (p. 28). As can be seen in the table above, the researcher tried to achieve this kind of diversity of informants to participate in these investigations. Informants for the first stage interviews (Case Nos 1–9 in **Table 2** above) were all living in China domiciled. This was extended to include informants from businesses that export to China, but operate from New Zealand. Informants eventually interviewed came from various industries within the food and agribusiness sector, as well as from government agencies that facilitate the trade in this sector. These informants were also of different ethnicities: European, Māori and Chinese. They offered a variety of perspectives in regard to their experience and opinions, which ensured the richness of the data collected for further analysis. The diversity of the informants also allowed robustness of the analytic generalisations while increasing the chance of 'surprise findings' that may help to illuminate deeper understanding. Given that the interview context broadened from those who are China domiciled to those who are New Zealand domiciled, the later interviews also reinforced, and gave the increasing confidence as to the generalisability of the emergent theory.

Although these diverse informants can be categorised in many ways, the researcher believes it aids the analysis, and hence allows a deeper understanding of cross-cultural business relationships in the context of food and agribusiness, if the informants are grouped based on the length and nature of their involvement with China. Three groups can be clearly identified in this manner:

1) New Zealanders (European and Māori) who had lived or were still living in China at the time of interview
2) New Zealanders (European and Māori) who had visited China for business purposes but were based in New Zealand
3) Chinese who had worked with New Zealanders and/or other Westerners.

The differences between and similarities among the perspectives of these three groups will be identified in the results chapters of this thesis.

2.3.4 Bounds of the research

Most of the past research on cross-cultural business relationships was done either via a surveying method, or through case studies, with the location of the businesses not made explicit (Johnson et al., 2006; Mavondo & Rodrigo, 2001; Williams et al., 1998; Zhu et al., 2006). However, visiting different parts of China, it is apparent that most of the international firms have chosen to operate along the east coast of China, with many in the major tier-1 cities. Many of these firms are also large-scale multinational firms. In contrast, the businesses involved in this particular study are spread across various parts of China, and are mostly small to medium enterprises (SMEs). Of the 25 agribusiness firms involved, only two have over 1,000 employees; one has between 500 and 1,000 employees, another four have between 200 and 500 employees, while the others have fewer than 100 employees, and 13 have fewer than 20 employees. Keeping in mind the controversy in relation to the definition of SMEs (Kushnir, 2010), this research is largely limited to international SMEs by European standards (companies with fewer than 250 employees, and a turnover equal to or less than 50 million euros) (European Commission, 2014), and their success stories and challenges from the time of establishing their operation in China or business dealings with China.

2.3.5 Field work

The interviews with the informants were conducted in either English or Chinese, as appropriate, for the purpose of gaining a thorough understanding of the issues under discussion. At the start of each interview, each interviewee was presented with an information sheet (see **Appendix 1**) about the research, and a signed consent form (**Appendix 2**) was obtained.

All interviews were conducted individually, except for informant nos. 35, 36 and 37. Due to logistical reasons at the time of interview, these three informants were interviewed at the same time. However, consent forms were signed individually, and the transcribing process of the interview has allowed specific quotes to be attributed to each individual if required.

Eisenhardt (1989) advocates the importance of beginning a theory-building research with as close as possible to the ideal of no theory under consideration and no hypothesis to test, as "preordained theoretical perspective and propositions may bias and limit the findings" (p. 536). Because of this, Eisenhardt (1989) suggests that "investigators should formulate a research problem and possibly specify some potentially important variables, with some reference to extant literature", but "should avoid thinking about specific relationships between variables and theories as much as possible" (p. 536). Under this guidance, and with reference to the literature accessed during the exercise of theoretical sensitisation, as well as to the research questions set out in

Chapter 1, it was decided that the following queries would be used as a general guideline for each interview:

1. What are the cross-cultural challenges that the business/informant/s has come across?
2. What are the cultural principles that different informants base their opinions on?
3. Is there any connection between the differences in cultural principles and some of the cross-cultural challenges identified?
4. If there were such challenges mentioned in question 3, how have these challenges been met?
5. What cross-cultural understandings can be drawn from the above investigation?
6. Is there a connection between these cross-cultural challenges and the nature of the specific agri-food industry(ies) that the business/informant is involved with? If yes, then how are they connected?

This research sought to answer the above questions. However, these were not the questions that were directly asked to each interviewee. A customised interview guide was developed for each informant prior to the semi-structured interviews, based on the preceding background research on the informant, in order to draw insights from their individual experiences. **Appendix 3** provides an example of an interview guide for one of the interviews conducted (the informant's name has been concealed for confidentiality purposes).

At the interviews, informants were asked to explain their involvement with China in their professional capacity in chronological order, and describe the actual events they had experienced, as well as giving their interpretation of these events. This allows the resultant theory from the data analysis to be 'grounded' by these events. As shown in **Appendix 3**, all questions were intended to be open-ended, to encourage the informants to tell their own 'stories'. It was then the researcher's interpretation of the themes emerging from these 'stories' through cultural lenses that provided the answers to the above enquiries, and from these answers new theory was developed.

2.3.6 Data analysis

With case numbers under 10, Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) suggests an iterative process of shaping and verifying (or disconfirming) a hypothesis using the evidence from each case, studying one case at a time. However, the sheer volume of data from 38 case studies makes it not feasible to strictly follow the iterative procedure recommended by Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Further, in this thesis the focus is on

the themes rather than the specific case studies from which these themes emerge. For this reason, the analytic process was undertaken using the following procedure.

1) All data (interview transcripts and notes) were entered into NVivo 10.
2) All data were carefully examined, with each idea or topic emerging coded with a node. Altogether 225 nodes were identified.
3) Each node, along with the number of quotes attributed to each node, was then listed in a table (**Appendix 4**), from which an individual piece of paper for each node and the number of quotes attributed to it was cut out and placed on a large table.
4) By moving around and organising these 225 individual node papers into various groups, the researcher organised the nodes into a coherent structure, from which those nodes with a greater number of quotes attributed to them stand out in telling a stronger story, but without missing some of the anecdotal (yet insightful) themes from nodes with a smaller number of quotes. These are explained in detail in **Chapters 3, 4, and 5**. It is worth noting that although NVivo 10 offers many other functions for organising the data, due to the large volume of data the researcher deliberately chose to operate this step of the procedure manually, for the purpose of considering the logical coherence of all the nodes but without losing an overall understanding across all aspects of the study.
5) The synthesis of the emergent themes was then compared with existing theory in literature, and the new theory was developed. This discussion is elaborated in **Chapter 6**.

One may argue at this point that such a data analysis process is a violation of the iterative procedure advocated by Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) , whose research methodology the researcher has claimed to be drawing from. However, the replication logic behind the iterative process recommended by Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007) is in fact the very guiding principle in using the coding technique within NVivo 10, as every quote attributed to a particular node is a confirmation or disconfirmation of the idea enlisted in that node. By further comparing the synthesis of the nodes/themes emerging after reorganising the nodes identified through the coding technique, one should have the confidence that the resultant theory is parsimonious, testable, and logically coherent – a strong theory, as defined by Eisenhardt (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

In summary, it is emphasised that the open research questions and constructivist-interpretivist paradigm have led directly to the specific data analysis framework, which is based on emergent themes (rather than analysis of each case separately), with an ongoing interplay between

emergence, enrichment and confirmation. As the investigations proceeded, the balance within each theme shifted from emergence to enrichment, to refinement, and then confirmation.

2.4 Thesis Structure Revisited

Having explained the research methodology and methods adopted for this research, the thesis structure, explained in **Chapter 1** and illustrated in **Figure 1**, is here revisited. In particular, it is emphasised that the decision to not have a standalone literature review chapter was purposeful. It is a direct outcome of the chosen research methodology, suitable for the researcher's constructivist-interpretivist paradigm as adopted in this thesis, and the fact that there was a lack of prior research on cross-cultural relationships within New Zealand agribusinesses operating in China. These issues led to an emphasis on building theory from emergent insights. This was inductive-led, but also with an interplay containing deductive elements that led to theory reinforcement. Consequently, the initial exposure to literature was not to develop hypotheses for testing, but to sensitise the researcher with the appropriate interview probes that would facilitate the emergence of theoretical insights. The results of these interviews subsequently provided the contextual framework for determining the relevant literature, together with which the research findings were synthesised to bring forth the emergent theory. Such an approach has been discussed in detail and endorsed by previous scholars (Dunne, 2011; Heath, 2006). It essentially uses existing theory as another source of data, so that "existing theory can be used to challenge emergent theory and locate the emergent theory within the current body of knowledge". (Heath, 2006, p. 527)

Chapter 3

Research Results I:

How Things Are

3.1 Introduction

The following three chapters tell the stories, derived from the 38 informants of this PhD research, of New Zealanders doing agribusiness in China, or having business dealings with China in the food and agribusiness sector. **Chapter 3** describes 'how things are' from the perspectives of the economic, political, social, and business environments, as well as reasons for past failures. **Chapter 4** explains, through the eyes of the informants, 'why things are the way they are', from the aspects of world views or ways of thinking and value systems. Lastly, **Chapter 5** provides recommendations from the informants on 'agribusiness pathways in China', in terms of addressing market entry, value proposition, relationship building, business negotiation, agribusiness operation and understanding the power game. These stories are organised in this manner for the purpose of identifying themes to illuminate the theory building.

These emergent themes have been illustrated using the voices of the informants through extensive quotes. The use of these quotes are for the purpose of illustrating the richness of the data, which provides confidence in the theoretical construct developed in Chapter 6 (internal validity); and breadth of context (i.e. diverse informant experiences) as to generalisability (external validity). These direct quotes are also used to demonstrate reliability independent of investigator interpretations. Within these quotes, some words in square brackets have been added by the researcher for explanatory purposes. Where translation is made from original Chinese quotes, the translation is not always verbatim, in order to best convey the message in English; but the original Chinese quotes are provided in footnotes. Extended summaries of the emergent themes (free of quotes) are provided at the end of each of these three chapters. While the organisation of these quotes reflects the researcher's understanding, the purpose of these three chapters is to report, rather than to interpret, the perspectives of the informants. The interpretation and integration of these themes with existing theory within literature is left until the discussion and theory development chapter (**Chapter 6**).

Readers will also notice a mix of past and present tenses within sentences from **Chapter 3** onwards. This is done purposefully to respect the reality that interviews took place in the past, but topics under discussion are of contemporary issues, and relevant to the present.

As one New Zealand senior manager commented,

> If you come to another country, you have to figure out how to adapt to that country. You are not going to make that country adapt to you. I mean, without a doubt, it's got its challenges in terms of how business is done.

With this in mind, **Chapter 3** is dedicated to describing 'how things are' from the perspectives of the economic, political, social and business environments that New Zealand agribusinesses find themselves in − including the challenges they face − when dealing with China. Some insights are also shared towards the end of the chapter on what, as perceived by some informants, contributed to some failures of New Zealand agribusiness ventures in China.

3.2 Economic Environment

3.2.1 China is the new economic power

In March 2013 China overtook Australia to become New Zealand's largest trading partner. The perceived significance of China on the world economic stage by the informants, as well as their interpretation of the magnitude of China's importance to New Zealand, was apparent. As one New Zealand general manager said:

> The … economic world power is shifting … it's going from West to East. With the troubles in the EU, and the difficulties in the US, and the exponential growth in China.... They probably will be the next economic power house to the world.

One New Zealand CEO looked at future decades regarding the status of China on the world stage:

> From my personal point of view, China in the next 10 or 15 years is going to go through this huge evolutionary step change, and I think China is just going to be, if not already, the most dynamic economy in the world, it will certainly become so, as the central government makes some fundamental changes, and China becomes more of a global leader. I think that this next 10 or 15 years is just going to be [a] very, very exciting period of history to China and the world, and the influence of China will have on the world economy will be huge.

Another New Zealand agribusiness consultant said:

> New Zealand and China … our fates are intertwined. China will succeed with or without New Zealand. New Zealand's success will be a function of how well it interacts with

> China … Wealth is created when people produce things that other people want. And China is doing a lot of that, and rest of the world isn't doing as much of that as they used to. So the new wealth is going to be created in China … and there will be a long period of Chinese economic dominance. Whether they will leverage that into real hegemony or not I don't know. They say 'no'. But once you have the power. He who pays the piper calls the tune. I think the whole world has to engage with China.

All of these comments can be summed up by what a director for China market of a New Zealand cooperative said: "Anyone who think[s] they can survive in New Zealand and not understand China is on the wrong planet."

3.2.2 China is fast paced

To achieve the significance that China enjoys today, the country has undergone rapid transformation. As one New Zealand CEO explained:

> If I look back at my time coming in and out of Hong Kong, Taiwan, through to Shenzhen, and then to Shanghai from the 80s through to today, it is this just absolutely mind blowing change that has moved China from literally the hand cart to a Bentley in the space of 20 years, and literally a whole city a day is constructed in China.

Another New Zealand senior manager spoke of the speed of China's development: "China is an incredibly exciting place to be. Very, very fast paced, in terms of what's happening, and how quickly things are changing, but lots of opportunities too."

One New Zealand CEO saw this rapid development as being due to the strong leadership of the central government of China through lots of capital input:

> I think the issue is the central government. They are like the president. They make the decisions. So from a policy point of view, if they want to build a city here, they decide to build the city, and then how it's filled; and how it works is this huge … basically capitalist money. Money drives this economy so hard, and the need for money is driven so hard, that if you do build a city, it will be filled, and it will work, for better or for worse. It will work, because everybody will be looking at opportunities to find a way of making money out of that opportunity… so I think it is this really strong direct leadership. For example, if they want to put … thousands of kilometres of fast rail into the inland China. … In New Zealand, we will talk about this for 5 years. We'll do a 5-year feasibility study. We'll do another 10 years of environmental study, then we might start building this thing. In China,

central government said that we are going to build it. Literally, within 3 years, they would have built 10,000km of … high speed rail.

3.2.3 China is getting westernised

In this process of speedy development, some see China as inevitably getting westernised, as perceived by a Chinese managing director, interviewed in English, from the farming supply industry:

> China is getting absolutely westernised, but not voluntarily, being forced. You are playing the global game. The game is global, you cannot play the game like [you are] on your own, like in North Korea. You are playing the same majong. You only have 17 pairs, you cannot have 19. You have the same pile of majong on the table, you have to play the same way. If you don't know how to talk with Fonterra about a feeding contract, you'd better not touch them, because you are not speaking the same technical language. You have to be able to speak the same technical language while you can show your own strength by communicating additionally.

A CEO from a New Zealand-owned horticultural company operating in China observed this too:

> The Mao generation, families were families of six and five, so large families. Then immediately there is a complete flip when you went to the One Child Policy, and we are seeing that huge bubble now come through of the age population, and just this huge chunk of … if you look out of my office window at the moment, everybody that's walking on the street is between 25 and 40, or 25 or even 35. You just don't see that demographic variation on the street up here. So what's going to change is … the competition. A lot of people will still go through their whole life and still just be followers, but in that population also, there are increasing number of kids that will go to international universities for postgrad stuff, or … primary degrees, because they are one-child families, and their parents want them to go to … college in the US or England or somewhere. There is going to be an increasing amount of senior executives and leaders that will come through who will have experienced a different way of thinking, and a different way of managing, and I think they will be the agency of change in the future. And I think there will be a few colleges here in China that will start to teach differently.

3.2.4 The grey economy

In parallel to the phenomenal growth the official figures reveal, some New Zealanders who operate in China have observed another 'grey economy', which creates challenges for foreign

companies and require adjustments, as one New Zealand CEO explained:

> In China … you've got a huge grey economy that runs within China, directly parallel to … what you see, and that goes in everything from tax to processors. … As complex as the relational thing, it is as complex the way this economy runs. The economy runs obviously on earnings and paying taxes and doing the things that you'd expect the economy to record, but also there is this huge chunk of the economy that is grey. … And … most practices are of course completely frowned [on] in any other economy in the world. But in China it's part of the way of doing things around here, and therefore one of the biggest challenges is to make sure that those practices don't taint the company, and particularly if you are a foreign company, you cannot get involved in limited practices that are against the policies of the company, or in fact the laws of the company [of] origin. But it is a very difficult thing to avoid, so that's a big challenge.
>
> And of course, the grey economy is all un-taxed, so the government themselves … they are talking about generating a 7per cent (growth in) GDP here in China. The real figure, [if] you take the grey economy into account, you might be looking at 10 per cent, 11 per cent. I don't know, but it's a big number.

He further explained how this grey economy functions:

> Every transaction on every supply chain, there are countless gate keepers … who have to stamp a document to load a vehicle, to … purchase supplies. And in each case, there are gate keepers associated with those transactions … [there is] basically a transactional tax quite often … associated with those gate keepers, and that includes everything from government, to banks, to private enterprise, and all that does is just like us paying a service fee, and you look at it as an additional VAT. Quite often to get things done, you have to pay some service fee or establishment fees to individuals that control that particular element.

Then he explained further:

> These are products of a system, products of necessity, I suppose, about how you get things done, and what advantage or opportunities people do … because it is fair to say that this is a very opportunistic environment. … For example, if you were a … government official, or somebody that controlled some minor document to move that container of food at the port, and that's just putting it on a truck, then each one of those people would work their way to make sure … to get that block to put on the document, somehow would

> have an advantage or opportunity. That's that whole grey tax systems at works … It's all about playing the game.
>
> It's a grey activity, because quite clearly it means that we require endorsements for these transactions, whether that endorsement is tracked and traced is doubtful. The government in China is trying to iron out [this] … at government level and government official level … and they'll continue to push that because for China to really be able to operate internationally, and particularly for foreign direct investment into China, then a lot of that has to be tidied up, because it … makes the whole operation … very slow, and that affects productivity, and there is a whole bunch of stuff that [it] affects. And if you get it wrong, quite often you can be held up just in simple, day-to-day transactions for weeks, if not months.

This grey economy is seen as a product of the low-wage system in China:

> I think it's probably born out of a low wage economy. It's born out of this huge ability to make money out of nothing in China. They are the most capitalist country in the world. The opportunistic or the entrepreneurial streak is very, very high, as far as learning how to manipulate situations.... And I think their lower wages have formed a lot of that, because … if [you are on] lower wages, then people … tend to look for other alternative ways of supporting income. And obviously the income share in China is quite extreme. I don't know what the stats are, but it's something like 2 per cent [of the population holds] … 40 per cent of the wealth. It's something like that. But it's a huge chunk that is weighted towards the very few people in China, and how much filtered down through the average Joe on the street is extremely low. Most people don't get [a] paid huge salary. And yet they have, individually, these young people who work for our company, have a huge responsibility to look after their family. So a young couple, for instance, the big thing that they want to be able to buy is an apartment. But not only they have to buy an apartment, but they have to buy one big enough to look after their parents, sometimes two sets of parents. And those parents expect their children to look after them. I guess they provide the nanny services to the one child that they may have. So a young couple starting up is like a young couple starting up with a family of five … on very low income. So you are talking about why these things occur. It's a complex between low wages, but also huge family responsibility that put a huge financial drain on families.

Another contributor to this grey economy is the large amount of liquidity within the economy:

> There is so much liquidity. People are looking for a home for money. The net savings for this country [are] just enormous, at all levels. In New Zealand, we just spend everything, we just live beyond our means, like there is no tomorrow. In China, even if you earn 2,000 RMB[2] a month, there will be some form of saving with that money. There will be something set aside for the future, even though they pay horrific rents, surviving, and getting a bus …. Some of our staff travel 4 hours a day across the city, just to work here. And they live in some shitty little apartment, but they still will save 200 RMB a month. Put that aside for the future. … So there is this huge slush fund, a lot of it operates in that grey economy, on short term loans, or favours, or something.

3.2.5 The grey trade

In line with the concept of the grey economy, there is also a 'grey trade', which refers specifically to export and import activities that are not officially administered by China Customs. One New Zealand winery owner pointed out the significance of the grey trade in the wine industry:

> About 80 per cent of the wine imported is sold through hidden channels, to the government, for banquets, entertaining and gifting, through Mid-Autumn Festival and New Year. And [this is] all done generally through traders, who just opportunistically buy wine and do that, or the organisations themselves who … give those gifts, basically want to cut out the x number of middle men in between. I think last year there [were] about 107 wine companies exporting to China, this is a year or so ago, from New Zealand; and yet when we look in the restaurants … you don't see them. You see the same people, generally us, or Villa Maria, or Cloudy Bay … not a lot. And in the hyper markets, almost no New Zealand brands. So where do the New Zealand brands go? They go through the hidden channels.

One New Zealand director pointed out the diminishing benefit and risks involved:

> Sale to Hong Kong attracts less tax than sales to China. … A lot of businesses have done it at one stage, some still do it now, but not where I am involved. Where people sell it to Hong Kong, then it goes through a grey channel into China where it doesn't attract additional duty or tax. … That used to be widespread … but it's not … anymore. … There are still some people doing it. But that's not a good way to do it. …. It's illegal for a start. The possibility of getting caught is a lot greater now than it ever was before, and it's a good way to damage your company, a good way to damage your brand.

[2] Equivalent to about 400 NZD at the time of the interview.

One government official in New Zealand also saw the lost opportunities in the grey trade:

> It's allowed us to access Hong Kong and China in a way that we couldn't have without it. But it does run the risk of compromising the integrity of our products. In other words, products going through Hong Kong … I've heard people [say] that they re-sticker them, they re-brand them, and they sell them, maybe not as New Zealand apples, but South America apples or something. There are a whole lot of risks in the middle market and trading that goes on in that space, and also the margins that are made by people that operate in Hong Kong doing it. If you go directly into China, and you go through a proper process, Chinese people know that they are getting apples from [here] … and it's cheaper, if we can do it properly. If [there are] a lot of hold ups, then it's not. But they are finding … that it can be cheaper, that we can get a better return for the growers.

3.3 Political Environment

Coexisting with the economic environment, the political and social environments that New Zealand agribusinesses have to operate within paint a far more complex picture. The following two sections of this chapter endeavour to illustrate this complex picture from the perspectives of the political environment and the social environment. The first looks at the powers that be, and this is followed by the practices that informants have observed within this environment.

3.3.1 Powers that be

3.3.1.1 Government involvement

3.3.1.1.1 The importance of government involvement

"When you deal with China, the official factor is so important", summed up a New Zealand managing director. Indeed, the prevalence of government involvement in business dealings was a common theme of many of the informants. As one New Zealand agricultural consultant pointed out, "local government is always involved somewhere in business projects. Companies don't get access to resources or land or whatever without local government's involvement". A Chinese entrepreneur who worked closely with New Zealanders also commented:

> You cannot be separated from the government in China. When foreigners come to China, I tell them: China is a country ruled by people, not by law, so if you are disconnected from the government, you will achieve nothing.[3]

[3] Original Chinese quote: 在中国你不能离开政府的 … 老外来我就跟他讲，因为中国它是人治国家，它不是法制国家。你脱离政府的话，你就什么都干不成了。

In addition, depending on the scale of foreign investment, various levels of government can be involved. A director for the Chinese market of a New Zealand cooperative described the different levels of government involvement in their investment in China as all "indelibly linked".

The hierarchy of government is complex, as one New Zealand independent director explained:

> There are many, many levels of officials … It's hard to generalise, because you've got the Beijing officials, you've got provincial officials, and you've got the county officials. It depends very much on what it is that you are doing. … If you are doing something like setting up a farm, for example, you are talking about agribusiness here, then the ability to get oo well with the county officials, and explain what you are going to bring to their county or their part of the world, is really important, and staying in constant contact with them is really important … so there is that level. Then there is the 'you make your way through the structures in Beijing' level. It's more a garnish and support at a high level. Trying to get a sense of where high-level policy is going … more those things … creating relationships. Even then it's very different. You go and talk to NDRC[4], it's a very different conversation to go and talk to [the] Ministry of Agriculture.

Not only are the levels of government complex, but the government is also regarded as highly important in relation to business activities. A district mayor of New Zealand, who was among the 38 informants interviewed, shared his perception of the emphasis that Chinese businesses put on government support of their business activities:

> My presence at things is considered significant, so that's what I do … I often open the shop, I meet with Foreign Affairs, often meet with the mayor. … It's about giving the Chinese authorities confidence that they are dealing with a reputable company. While a mayor in New Zealand is very different … to what a mayor in China is, they no doubt consider the status is reasonably similar. … That's about them understanding that this is real … I think they are used to a lot of state control, in just about everything they do. In New Zealand, there is not that level of state control. So if they talk to somebody, they are always asking, 'What do the official[s] say, what does the government think?'. It's really just a reassurance thing … and … that they are dealing with somebody relatively senior in the government.

[4] The National Development and Reform Commission.

3.3.1.1.2 The power of the government

The government − central, provincial or local − holds tremendous power over the rises and falls of businesses. One New Zealand business consultant, who was also a CEO, described his daughter and son-in-law's unfortunate experience in relation to land-use right:

> The sanctity of that land-use right is also not very solid. For example, we had the situation, my daughter and son-in-law ran a [food] business, and unfortunately we funded this for them. We set them up with a really good meat processing factory, and they worked there for about 18 months. They were doing really well, and starting to develop their business. And one day the landlord knocks on the door, and says, 'Government … is taking this land back to build the VW factory, and you have to be out in two weeks.' 'But we put in hundreds of thousands of dollars into building the factory.' 'We don't care.' So do you get any compensation? No. All of sudden, the government said, 'We've changed the land-use right designation for this area. All of this is being knocked down, because we want to put the Volkswagen factory down.' So even if you get the land-use right for a particular length of time, there is not any guarantee that you would actually … see that out.

When asked whether he thought the 40-year lease that was often attached to a commercial land-use right could be counted on, one New Zealand business consultant said:

> No. Not at all. … A few years ago, the government changed the rules with peasants not having to pay a tax. It was a thousand-year-old tax … to the government, for using the land. … It was a good initiative out of Beijing. All these peasants were paying this tax. It stopped that, so that they can keep their money, so the consequence of that is local governments, they were short of tax revenue, so they are taking land. Anything in China can change. There is a rule or law. There is black and white. And there is how things are applied to you. If you look at what happens, Shanghai is a little bit more black and white, because it's a bit more international. But it still happens. Deals happen and things change. Your 70-year lease is. … The assets were changed out of this, or there is a new government [rule] that's come in, and you are gone! All it takes is some red envelopes to the right people for them to make some money from the deal. It doesn't matter who you are, you are gone.

Another New Zealand business consultant shared a similar view:

> The other thing that you've got to realise in China … if they want to change the rules, they will change the rules. And if you can't deal with that, you shouldn't be here. At the end of

> the day, if they want to take all the land back, they want to change the rules, they will change the rules. You've just got to assess that as a risk ... that's why I won't buy an apartment here, because I am not happy with the risk. Not because it's a bad investment, but the rules can be changed so quickly ... They could turn around and say, any foreigners that have leasehold on land is now null and void. What are you going to do? Go to the court?

On the other hand, when the government wants to encourage the development of certain industries, support such as subsidies is being granted. A New Zealand CEO observed some of the short-term investment mind-set and behaviour of Chinese businessmen as a result of this kind of government support:

> It … gives you the opportunity to start to think in the Chinese mind-set. Let's say in [an] agri-horticultural type of business. If you can put something on there that you get your capital returned and profit returned quickly, then you don't care about the long term, and this is … very much the investment mind-set in China. Investment companies tend to follow government policy, because when the government wants to encourage a particular industry, they put in a lot of subsidies to support that industry, and investors would come in and invest in that particular area, grab the government subsidy, which mitigate[s] their risk, so in other words, their risk is less because they've grabbed some money from the government … spend a short time in there, and then sell it on to somebody else who might want to earn longer-term money.

3.3.1.1.3 Relationships with the government

For some informants, the power the government held meant that businesses needed to pay particular attention to their relationships with government officials, because the power lay with the person in charge rather than the law. One New Zealand CEO compared the ways that government functions in New Zealand and in China:

> Government officials in New Zealand have a very low level of impact on business, compared to China. … Doing business in New Zealand with government officials is just bureaucracy, and sometimes the bureaucracy is frustratingly slow, but it's normally the rules rather than the people. It's the law rather than the people. But the big difference is, as the … mayor said, 'In China, the law has to be flexible', and that's where relationships with officials are so much more important than in a country like New Zealand.

A Chinese agricultural consultant offered similar opinions:

> I think China is a country with a special commercial background. Any successful business operation cannot be separated from the support of the government. … The function of the relationships with the government and government officials is therefore very important. Maintaining a good communication with the local government is one of the fundamental keys to the survival of a business in that particular region.[5]

Even for New Zealand agribusinesses that are not operating in China but are exporting goods to China, the Chinese government's actions can have a significant impact on export performance. One New Zealand winery owner talked about the spectacular falls in New Zealand wine exports to China due to the anti-corruption campaign that took place after the new president came to power:

> Wine boomed in China from 1 million cases of imported wine in 2008 to considerably more in 2011. [Then in] 2012 with the new premier [president] it really did a nose dive, and three-quarters of all imported wine was not through traditional distribution channels – wealthy business people, connected with a lot of government officials. When all that entertainment stopped, wine sales in China … dropped 70 per cent in the last 12 months.

One senior manager from a New Zealand horticultural company spoke of the importance of their relationship with Chinese government agencies, particularly Customs, in relation to their exporting of fruit to China:

> Market access for us is critical if we are going to be putting 20 per cent … of New Zealand production into China. Our reliance on China as a market is going to be huge, and people are making access ... decisions on issues that we don't really understand or control or have input into. It's too much risk for us. So having that relationship deeply with government is important to understand what they are thinking and why, so at least we can mitigate that risk without actually ever fall[ing] into managing it. Quarantine … is the most obvious legitimate reason, but we also understand that there are political reasons at times for that as well, and it's important. But [if] we understand what might be behind that … [we can then] try and influence their thinking.

However, maintaining these kinds of relationships with the government in China comes at a cost. Another senior manager of the same horticultural company spoke of the associated costs of

[5] Original Chinese quote: 我觉得中国它是一个有自己特殊商业背景的 … 国家。… 在中国任何成功的企业运作是离不开政府的支持的。所以与政府的关系，包括与政府官员 [的关系] 的作用是非常重要的。… 你在和当地政府的… 保持一个良好的 … 沟通，是决定于你这个企业在那个地方生存的一个根本关键。

maintaining relationships with the government in China:

> It's being up there and getting your feet under the desk for it. … But resource is huge. There [have] been very few New Zealand companies … that have a department in their business that deals with government relations … let alone the luxury of having someone going to a market to look after government relations. … There are probably two New Zealand companies. So how small companies resource that, I don't know. That's a big investment to put into.

3.3.1.2 The power of the Party

For most informants the word 'Party' and the word 'government' were synonyms, and only very few spoke of the Party specifically. One New Zealand senior manager talked about the overwhelming power of the Party that he sensed:

> The Communist system … is still a boys' state. … The Communist Party, and the power of the Party, is so phenomenal, and just almost the sense that everybody has an obligation to be doing something for the good of China, and for the good of the people of China, to the detriment of anything else or anyone else.

One New Zealand business consultant spoke about the prevalence of the Party's power in businesses:

> You often can't distinguish whether somebody is an official or an executive. There is Community Party in every company, more or less … every significant company … the secretary general is a higher rank than the principal.

When there is interplay between the Party representative and the governing officials, the Party's view will eventually dominate, as one New Zealand agricultural consultant pointed out:

> You still can have that interplay between whoever is representing the Party in an organisation, versus the officials … governor vs. Party secretary … that type of thing. Usually those positions work very closely and comfortably with each other … but the Party's view has to dominate at the end of the day.

Indeed the lack of such knowledge of the prevalence of the Party's power in businesses has led to some business failures. One independent director of several New Zealand agribusinesses talked about the lesson learned from one particular failure:

> One of the biggest surprises to us was understanding the influence of the Party on the company. It's … a private company, it's extensively … privatised, but actually the Party had a very strong influence, which we didn't realise until later. We knew that the chairman … was a Party rep, so knew that there were sort of links. We didn't realise the extent to which the Party actually control what was going on in the company, so that was a major lesson.

3.3.2 Practices

3.3.2.1 Bureaucracy

With the power that the government and the Party hold, many informants experienced bureaucracy in their dealings with government officials. One New Zealand CEO spoke of the layers of bureaucracy in China, and the resulting delays in business activities that could happen:

> In China, obviously there are multitudes of layers of bureaucracy, and trying to sift your way, firstly finding the information, and then getting access to the people that can support you through executing some policy, or getting access to some policy, is very difficult. You can either do that very efficiently, or can be delayed and [end up] spending months and months and not get it at all.

However, bureaucracy is not limited to the government. Other people who hold power over certain processes can also be bureaucratic. One New Zealand middle manager talked about the frustration of banking in China due to its bureaucratic process:

> The whole banking thing drives me crazy. To pay a bill, or transfer cash, you fill out your slip ... the chop. If you … messed it up, you have to do it again … Basically if it is not 100 per cent correct, as their example shows you, you've got to do the whole thing again, which you can get rejected several times in one day, and can [this] be very, very frustrating. … [Speaking of communicating with bank tellers] if I was at home, I would say, 'Can you help me with this? What do I need to do to this?' If I say it here, … they'd just give me a textbook answer. They would just read the questions, and 'Oh, I will write this back to them.' You want a solution … which may come down to the language. … Even though they work for multinational banks, and they speak good English. Just that at times, simple things can seem difficult to get done.

3.3.2.2 Games with officials

To deal with the bureaucracy in business, some regard it as a game. One New Zealand owner of a restaurant chain in Beijing commented:

> To get things done in China, obviously the government is always involved. So you'd need to be able to play their game, and it is very much a game.... Locals are better at playing their game than foreigners, because you could stir things up more than help things typically. … You've got to play the game, and the game for the officials is, there is got to be in the sense of 'What's in it for me?' And that doesn't always [mean] things which we think it means, graft or corruption. It's mainly just 'making my life easier'. 'Fill in these forms this way, because if you don't, I am going to have to go back to my superior why you haven't. Adhere to certain rules, so that I don't have to come and check on you.' There is certain value that they want. You are going to be able to offer them value.... There is a whole spectrum of value that needs to be offered. But by no means all officials are looking for a kick-back.

3.3.2.3 Flexibility in practices of the law

Despite the bureaucracy, many informants also observed flexibility in how the government implement the laws, rules, and regulations. One New Zealand CEO described his government contact, who was a former mayor of a city, as follows:

> He always laughs about the laws of China, and he always tries to explain to me how China has laws, but in China it's always flexible, because the country is so large, and he doesn't like bureaucracy getting in the way of us making progress … He always looks for ways to get around the bureaucracy. If [it's] 'Oh, no, you are not allow[ed] that information; it's confidential', you go and find a way.

Another New Zealand restaurant owner talked about his experience with the differences between the words and actual practices of regulations:

> Regulation is kind of a handbook. There are kind of two handbooks. There is a handbook that the government will give you, and there is a handbook that you will get from China hands. It's not written down, but it's kind of personal wisdom that will lead you through.... Those two things are often quite different: how the government says and how the things actually get done.

One New Zealand middle manager spoke of his experience of driving in a small town without a legal licence as an example of the flexibility in the Chinese practices of the law:

> They said 'It's fine driving' … 'You won't have a problem, because the police won't pull you over,' because they had mentioned that I was coming into town, and not to pull me over. … We might call it corruption, but that's just flexible, that's just how they were. …

> They sort of said, 'China is a big place. They need to have flexible rules.' … As long as you don't do anything too serious, then they [were okay with it].

This flexibility, when observed from the outside, can be perceived as lack of transparency. One independent director of several New Zealand agribusinesses commented:

> One of the interesting things is law in China … the way in which laws are anecdotal. By and large, all the laws that you would expect … are in place in China. … [For example,] there are good health and safety laws on the books. It's actually how those laws are acted [upon], and that's … what's really [the issue] … lack in transparency. That's what's really hard to get your head around. When do these laws apply? When are people going to enforce these laws? Because the importance of the law is really inconsistent. And that's an issue that makes it difficult. That's a thing that's improving a lot, but it's not there yet.

This comment is consistent with the observation made by another New Zealand agricultural consultant, who said that Chinese laws are often about goals and aspirations: they are thin documents, leaving room for a lot of personal interpretation:

> Chinese law documents that come out of Beijing, the State Council laws, which are then sent to the different provinces to implement, are *very* thin documents. The document for one of the Chinese grass land laws is only, I think, six pages long. So-called Chinese law is basically often a set of principles about … goals and aspirations that Chinese governments [want] to achieve, and the implementation of that, which happens first at a province level, [then] at a city level under that, and [then a] county level … there is room for a lot of personal interpretation. … The same sort of law in New Zealand will probably be 200-page long, with hundreds of paragraphs trying to dot every i and cross every t, and that doesn't happen in Chinese law.

3.3.2.4 Project vs. product

Another practice observed by some informants is that some government officials tend to work towards the set five-year plan based on the number of projects they can achieve within that time period. There is a tendency for these government officials to only want to achieve certain milestones within their term of employment, and then move up the ranks based on these milestones, while not worrying about what might happen to the outcomes of these projects after moving on. Whereas a 'project' often has a start and finish time, a 'product' here refers to the long-term focus of certain business activities that will continue to produce a particular product to remain profitable. For example, a project could be building a fruit-processing plant at a certain

location, where the start and end time are clearly defined. But whether this processing plant will remain functional and profitable will depend on the ongoing management of the plant to process particular products. As one New Zealand agricultural consultant pointed out:

> China is good at the hardware, not very good at the software [the human operational systems].... One of the things [about] the local government officials here is that they have to be seen to be doing something in agriculture. … The absolute key issue is, 'Why are you doing the project?'. As a foreigner, what you always have to assess is, 'Is he/she going to do a project, and there can be all sorts of reasons for doing that, or is he/she doing it for the product?' Fifty to sixty per cent of the time they do it for the project. As you get all the encouragement, because all the local officials [would say], 'Shit, we brought this big unit in, and it's going gung-ho', but what has happened is, he/she hasn't considered the management demands, the management skills that are needed, the market, post-harvest, all of those elements.... Again, what you have to remember is, if you look at these counties, these counties have very specific plans, and some very specific targets, and some very specific growth targets, it's all based on the 5-year plan, so any economic activities that they can undertake will contribute to that 5-year plan.
>
> [After a project is finished] and it looks good! So the government official can go along to his boss at prefecture level and say, 'We did it!'.... Why do you think if you drive around China, and you see so many empty roads? It's all economic activity, isn't [it]? Hell of a lot easier to build a building and build an airport than actually do something productive. And that's where we've got to be careful with these projects, because they are part of that culture, and you've got to pick the blind alleys pretty early, otherwise it's a waste of time.

3.4 Social Environment

The complex picture of the social environment will be discussed from the perspectives of social institutions and social behaviours.

3.4.1 Social institutions

3.4.1.1 Overall institutional environment

3.4.1.1.1 Differences and similarities in overall institutional cultures between China and New Zealand

The overwhelming message from the informants was that the overall institutional environment is vastly different in China compared to New Zealand. Each informant explained the differences they

saw from their own perspective. For example, one New Zealand CEO spoke of the difference in the decision-making process:

> In a New Zealand way, or a Western way, we start at this point … once we've decided on a strategy, we pretty much go straight line, maybe we tack the aim line a little bit. But in China, it's like taking a ball of wool. It takes a long time to unravel the wool to get to the end. It's a whole different, complex, decision-making process, and the conversion thought process that goes on.

This difference in the decision-making process is also seen in the dissimilar approaches to the process of establishing business collaborations. One New Zealand middle manager shared his perspective:

> The [Chinese] local government sort of felt the foreigners … try to rush things initially. But when things do get going, they are quite slow to expand. … We are too fast in the initial stages, and then we are too slow after that. … Someone has made that comment. They described the Kiwis as being conservative, which surprised me, because the impression that I got was that Chinese are very conservative. But I think that's just during the initial stages of the development. And then after that … once the relationship has formed, the Chinese just want to grow like mad, whereas New Zealanders … may be more conservative in business planning.

A Chinese managing director, interviewed in English, talked about the difference in relation to trust and contracts:

> Western culture is all developed under a legal system. If you have a business, you have to get everything in place. … The Chinese way is you forget about your papers, your signatures, forget about your lawyers. The Chinese way, the Oriental way, like Japan and Korea, would talk a lot about relationships, a lot … about ties. In the end, I think Oriental cultures are flexible, without sacrificing the values at all. To be more practical, to be more flexible. But Western culture is based on talking about legal, and contract. Everything is based on treaty. Like the Americans. They cheated the [Red] Indians. … Yes you have a contract. But a contract means nothing, if you are not telling with your heart. You cheated the Indians. They never knew what contracts mean.

This reliance on relationships as opposed to legal systems is also reflected in the transparency in business processes and conflict resolution approaches in China, as one New Zealand Māori CEO pointed out:

> In New Zealand everything is very clear cut. It's very black and white. Because the government doesn't support you to the same extent … actually they don't support you at all, other than to provide policy, because they don't do that, it's very simple. … It is very black and white.... It's all there laid out, very clear, very transparent processes … whereas here [China] the level of transparency is not the same.
>
> In New Zealand, in [a] Western economy, we tend to be quite quick to resort to a legal solution. First thing you do is, 'I'm going to get my lawyer to give you a call.' You've got that issue, number one, then you've got the complexity of a third party, then you've got the legal processes, the costs, and everything else that's involved with it. Through that whole process you tend to lose productivity, whereas here you tend to put it through a very long resolution process, before that will get to the courts. I think that's a very clear ... cultural [difference] in the way the business is done. That's not to say that things don't end up in court.... But there is no need. It's a very timely, costly process, [and] typically there is no winner. Someone might walk away with a judgement, but at the end of the day, what have you won, really? All you've done is you have damaged your relationships, you've shown the government and enterprises that you can't resolve situations unless you go to court, which I think in the long term is a loss, rather than a win. There is another way to be able to get a solution. … Going to court is very much a Western solution, straight up. But trying to find a resolution and an outcome that both parties can live with: I think it's very much [part of] Asian and Chinese culture.

This lack of transparency in Chinese business processes can cause frustration for New Zealand businesses, as one New Zealand senior manager expressed:

> Just … for me, it appears that for some of them, it seems to take so long, and you never really get anywhere. I tried to put some structure around a business that we were looking at having a relationship with. But they didn't want to engage in the MOU [memorandum of understanding], and saying, 'No, the MOU is no good', but [they] couldn't say what was wrong with it. I even gave them the opportunity to write up changes in the MOU, but they didn't, so that's quite different. I think we have a bit of a pathway, and a bit of process to the next steps [in] how we do business. But for me, some Chinese companies jump around a little bit [in their business processes].

Nevertheless, a few informants recognised some similarities in the institutional cultures between China and New Zealand, as one New Zealand CEO explained:

> I think it's the fact that we are pretty similar, that we get on pretty well. … I think we work well with the Chinese, because I think it reflects on New Zealand's … cultural diversity, in terms of the way that we accept nations in different nationalities, and we've got the European–Māori thing. The Chinese thing … is second nature to us. We know from a Māori point of view that you have to deal in certain ways, and there are certain protocols you honour and participate in [when] doing business, and it's the same with the Chinese. You sit down, you talk, you entertain, you have a meal, and have a few drinks, and that goes with the business. I think it's almost like second nature for Kiwis. … The Yanks, the Americans, they can't even understand it. They are cut-throat businessmen. They want the deal done today. They want it done hard. They don't care about tomorrow … and it's the best price, and they will screw you to death. The Chinese and the Kiwis have a longer-term view to business.... I think culturally we relate to Chinese people well, and I think it's about who we are as well.

3.4.1.1.2 Different cultures in different regions of China

Not only did the informants observe differences in institutional cultures between China and New Zealand, but many of them also commented on the differences across different parts of China. As one winery owner pointed out:

> You can't look at China as one market. It's a bit like the USA: every province is different, and a city within a province is different.... I don't have enough experience from province to province, but my sense is that it is hugely different. Beijing is quite different to Shanghai or Guangzhou, for example. And there is a much more international feel in selling wine in Guangzhou. Why? That's where the Canton Trade Fair is; many more international business visitors, over many, many more years than Shanghai or Beijing.

A New Zealand business consultant based in Shanghai talked about the difference in institutional cultures between Shanghai and other parts of China:

> They [people in Shanghai] are a bit more international. They've got access to more international things. … I think they are a bit more honest … because you've got to be a bit more transparent, because you can't hide things anymore. You can't get away with it. The old story of charging each customer a different price, depending on how much money they've got, that's gone. And if you behave like that, people will find out, and you will be buggered. … Also, they've got access to a lot more international information. Even if they can't speak English, they can hire someone, hire a company here to research New Zealand. So they can go down to New Zealand, with very detailed information about the costing,

> what's going on. It's all in Chinese … so they are very international. I think they are a lot more transparent, because they realise that the world is quite small.
>
> But then when you go to the south of China, it's completely different again. You don't know who you are dealing with. You don't know anything. They want to run you around and confuse you. If you go to the north, they want to get you drunk, and try to get you to sign … so it's, 'What part of China is it?' Are you from Shanghai, or are you from outside of Shanghai?

Another New Zealand CEO, also based in Shanghai, shared a similar point of view when asked when the customary 'meet and greet and drink' happens in business activities in China:

> Well, that depends on where they are from. Up north, in Dongbei [the northeast region], they won't do anything with you until you've been rolling around on the ground, drunk with them, then they are happy. Shanghainese, different again. You don't have to do all the drinking. They want to know the cents and dollars. A few gifts and you are fine. That's why I like being down here instead of up north. I was sick from drinking Baijiu just going to get paid a *shoukuan,* an account receivable.

One New Zealand agricultural consultant who had visited China over 40 times since the 1980s also observed a heavier drinking culture towards the western part of China. He said, 'I think the further west you go, or the more remote areas, that cultural integration, being able to play the games that they play … particularly the drinking games.'

A Chinese agricultural consultant went further to describe the cultural differences across various parts of China:

> China is such a big place, so there are certainly going to be some differences across the regions. For example, people from the north are more direct. They are a bit rough around the edges, and they tend to be more forthright. It will be different when you deal with people from the south. Those from the south pay more attention on the practicality of things. They want effectiveness, so for many things they will come from the perspectives of the actual outcomes, and relationships may come second. It would be more about whether there would be a joint benefit; it would come first ... places such as Jiangsu, Zhejiang and Shanghai. But the north, such as the three provinces in the northeast,

> emotions would often be more important. Then based on the emotions, perhaps many business activities would become easier.[6]

One former senior manager of an Australian-owned horticultural company in Yunnan (in south-west China) gave his observations and explanation of the different attitudes towards agriculture and the resulting differing behaviours between people in Yunnan and in northern China:

> We had to try and understand the Yunnan people.... They are very laid back.... They are totally different to people that you are dealing in Shaanxi, or whatever. … [In the] northern part, Xi'an and north, essentially, in generally terms, [people] have got to make sure that their crops produce for them, to feed the family every year, because winter time is too cold, and they can't grow anything, so they can't afford to make too many mistakes. … They are more attuned to making do with their crops 100 per cent, to make sure that they don't make mistakes. Fujian and here, they can afford to have crop failure … because … for potatoes, you can grow three crops a year… so the attitude here is totally different towards agriculture. … They don't want to make a mistake, if they've got 5 mu[7] or 6 mu … they've got to feed 6 people. But if they make a mistake, it's only 3 months, and they are back into production again, and do something else. … That's exactly how I believe China works. So … here, they are not as attuned to … good agricultural practices as the rest of the country, as … you draw a line at Xi'an and across. The attitude is totally different. And you find that people [who] come from agricultural [areas – in the north] and grow flowers down here do a much more professional job than the locals. It's got nothing to do with them being Han, or Yi people or whatever. They … realise that they can't make mistakes with their crops in northern China.

3.4.1.1.3 Different attitudes between males and females

In addition to the differences across various regions of China, some informants also observed the attitudinal differences between males and females in China, as one male New Zealand agricultural consultant pointed out:

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[6] Original Chinese quote: 中国这个地域太大了，所以地域和地域之间肯定是存在差异的。包括不同的区域的人都是不一样的。比如说像北方人，他就会比较直，比较粗犷，然后性格也比较豪爽。和他打交道的话，又和南方又不太一样。南方呢现在很注重实际的，他很实效的。所以他好多方面就是从实际结果出发，那么像这个人际关系往往可能要放在次要的，更多的是这种，比如说大家能不能有一个共同的效益，可能是放在第一位的 … 比如说像江浙，包括上海。像北方，像东北三省，可能这个情感是往往要 [占] … 一个比较重的 portion，然后呢在情感的基础之上，可能好多的生意都变得容易一些。

[7] 1 ha = 15 mu

> [Women are] much more dedicated, much harder working, economically they are much more driven than the men. Men are lazy. They expect everything [to] come for them. That's what I found. They [women] are much more determined. They are not into this bullshit drinking, socialising, relationship. They are interested in the job, and getting the job done, and getting the benefit from the job. These are big generalisations. The men tend to think, 'If I do all this, the benefits would come to me. [But] I don't really have to do it.' And the women here are a lot tougher than the men.
>
> You don't see many companies run by women. But [they hold] senior management positions. Even within the government departments, the people that I come across, the women within the government, especially senior women, are much more dynamic than the men.
>
> If you go and talk [to] a group of Chinese farmers, it's always the women who are up the front listening ... the men are at the back playing cards. And I've seen that in various parts of China. So it's not only at a corporate level that you find it ... particularly when it comes to say 35- to 40-year-old women … a lot of [them] are actually in [a] very high percentage of marriage breakups, so they are actually supporting their child as well, so they are quite determined to make a success.
>
> I think they [women] are a lot more ambitious. Probably [they] know [what] they have to do, because of some of [the] cultural things ... well, women are still very much, I am not saying second class, but you know what I mean. There is definitely a glass ceiling here for women. It's a lot tougher for women to get [beyond that ceiling] … here. Generally organisations here are very hierarchical, and if you look at the managers of those organisations, particularly government, or some of [the] more traditional organisations run by [a] 50- to 55-year-old man, who came out of the mid-1980s and 1990s, they bring those similar attitudes to them. … It's a hell of a lot harder for women to get ahead here than it is for a man.
>
> I think the women here are not so worried about the face issue. They don't [mind]. Men here seem to get threatened. They feel threatened fairly quickly if you question their authority.... Educated women don't necessarily have that cultural baggage.

One New Zealand CEO noticed the difference in loyalty to the employer exhibited by male and female staff members:

> I think Chinese girls are very, very loyal to their organisations. You will notice within the head office, most of them are female ... because they are very loyal, and very hard working. Whereas guys, you will notice in China, guys tend to jump around from organisation to organisation more quickly. They might spend two *or* three years here, then they will move to another organisation, to get some different experience.

Another business consultant observed the unique role that female Chinese played in forming business relationships:

> One thing I am going to say is that it's much harder to form the level of intimacy of a relationship with a man, than [with] the women. The women will form friendship with foreigners very easily, and it may even be their job. … I am not talking about anything under the … everything is perfectly above board. Bright[8] appointed a woman to be the contact person, Beingmate[9] appointed a woman to be the contact person.... It's amazing how many women they appoint to managing these crazy Westerners.

3.4.1.1.4 Different frames of references for different generations

Yet another variation in the nature of the social institutions in China is the different frames of reference for different generations that some informants observed. One New Zealand CEO summed up these differences well:

> The other thing, too, [that] is interesting to observe [are] the generational changes, because we talk about those who came through the Mao era, and you talk to those who have come through Deng Xiaoping, and now the latest moves to internationalised and globalised China, each of those different generations have [an] almost completely different frame of reference. And that's also interesting to look at … even educationally, you can see each of those generations experienced different educational experiences, and that have moulded them into the way they are … in terms of how they conceptualise things. The generational frame of reference is quite different, which is … fascinating. It's the biggest social experience in the world – China.

3.4.1.2 Key social institutions

Through the interview process a number of distinctive Chinese social institutions were identified by the informants. This section is dedicated to elaborating on these institutions.

[8] A New Zealand dairy company.
[9] A Chinese infant formula manufacturer.

3.4.1.2.1 Hierarchy

A number of informants made comments about the hierarchical social order in China. For example, a New Zealand district mayor commented on the differences in hierarchy in New Zealand and China:

> We have a very intimate understanding and knowledge of everybody. We are quite closely connected in New Zealand. There is no real hierarchy. … There is a hierarchy, but it's not nearly as profound as there is in the Party in the government in China, so we have a very easy level of interaction. Over there, sometimes it's more difficult. … They struggle to understand the level, sometimes, of … I can ring the prime minister this afternoon, or I can walk up to the prime minister … over there you would never get … that close to the premier or president, even the mayors. … It's very different.

A New Zealand middle manager noticed the hierarchy through the social behaviours of the Chinese:

> Where I was, the government … wasn't controlling, but was very central to society. I don't think that people felt they were being controlled, or under pressure from that government. But you know when a government official walked into a room, because everyone would stand. There is a huge hierarchy. Then the provincial government might come in, and suddenly, the one that was the boss suddenly just changes completely. Now he is just one of us again. It's really quite interesting.

From a relatively junior position this New Zealand middle manager also noticed how he was treated differently by the Chinese hosts depending on whether his own superiors were present or not:

> I spent about a week visiting different places with David [pseudonym] and Mike [pseudonym], and I noticed that you get treated quite differently when you are in the group, with David and Mike. We'd get picked up at the airport, we'd be taken for lunch, everything was sort of planned out. We'd be taken for lunch, we'd be shown something else, then dinner. There would be lots of drinking … nothing was a problem, this was going to happen, and this was going to happen. … We organised for me to come back and spend some time there, and have a look around the farm, do some agronomy, show them some lucerne, everything … nothing was a problem. Then I came back on my own, and I spent two weeks in a hotel, waiting, to even hear from them. … I was a worker, absolutely … not as

> important at all. I was on their time. It's quite an eye opener. And everything is a problem. Roads were washed out. There wasn't a driver available. People are too busy.

Such differences in hierarchy present challenges for New Zealanders, particularly at the start of building business relationships, as the real leader tends to do less talking in China, compared to what tends to happen in New Zealand. As one New Zealand business consultant pointed out:

> There are times when New Zealanders' inability to suss out the hierarchies, and who the true decision makers are, and New Zealanders who don't know how much to defer to the rankings of the people in the room, and we all struggle with that. … My first job, and I often fail in this, if I'm faced with six people in the room, I am trying to figure out which one is the damn boss! I've had some glorious cock-ups, thinking that this was the boss, but actually [it] was the one three on his left, who didn't say a word, because we read different cues.
>
> The boss, in a lot of Western businesses, is the one who makes the most noise. In China, and all through Asia, that's seldom the case, because the boss has people whose job it is to make the noise.

Another senior manager in a New Zealand owned horticultural company observed the same thing:

> They [New Zealand entrepreneurs] have got to understand, in a meeting, the person that's doing the talking may not be, in fact, the head person, or the person that makes the decision. It could be somebody, and most likely, the person that doesn't say anything. He is just sitting there … sitting very quietly, listening to it all through the interpretation, or they may actually know English, and they won't reveal that to you. So you are sitting there, thinking you are doing the deal with that person, but in fact it's this person over here … so you need to look at the way, when the social part comes around, that person that has been very quiet, whether they turn up or not. Sometimes that person won't come to the function, because they don't want to reveal where they sit within the hierarchy around that table, and you've just got to watch and see. Eventually you may find that in fact that person is really the person that you are doing the business with, and this [one] is only the mouthpiece.

This challenge is equally present for New Zealanders when they host potential business partners on their visit to New Zealand, as one agricultural consultant commented:

> I guess it's slightly frustrating … if you don't understand the hierarchy in an organisation, that people … represent themselves as perhaps being really important, when you

> understand the organisation, they may or may not be carrying as much weight and power as they would like to suggest they do. … Their titles may suggest that they might be influential people, and they may or may not be at the end of the day. [It] never has been an issue for me, but I have seen situations, just when you get [a] visiting Chinese delegation coming to New Zealand, and they are trying to encourage business or opportunities ... just how much clout that they actually really have.

This hierarchy and the consequential deference that Chinese people tend to show to their superiors not only affect the stage of relationship building, but also present challenges in business operations, as one New Zealand CEO discovered: "I think probably the harsh rule of China is that it's so difficult to change the hierarchical relationship. Often it is much more efficient to just change the people rather than to make the people change."

Associated with the hierarchical social order in China is the emphasis that Chinese people place on their social status. One New Zealand winery owner explained why some people pay exorbitant prices for a certain wine in China: "People buy wine for status and not much is consumed! That's where a Bordeaux wine is so-called 'investment'." The desire to show off wealth and the associated social status also permeates through to normal citizens, particularly young people, as one New Zealand CEO observed:

> It is interesting that I see a young kid who is on 2,000 RMB a month walking on the street with … a Gucci handbag, and you look at it, and you think it must be a knock-off. It isn't a knock-off. These kids are spending [a] 6-month salary in buying a real branded handbag from Hong Kong, which is duty free.

3.4.1.2.2 *Guanxi*

Guanxi, translated as 'relationships' or 'connections', was one of the focal points in many informants' comments. It was regarded as fundamental to business activities in China by many informants. Its layered or ring structure and associated long-term and complex nature, its close connection with associated responsibilities, as well as the difficulty navigating through it were all among the observations of many informants.

3.4.1.2.2.1 Fundamental to business activities

Having the required relationships with various agencies is key to the functioning of a business. As one senior manager for the China market from a New Zealand-owned international company commented:

> Everything is around relationships and identifying the linkages that you need to do business … so as a company, making sure that your structure is set up to have the right linkages … and to be very clear, I mean business relationships, not anything under the table, or anything like that. But you need to establish the right level of relationships.

Another New Zealand CEO went further to explain that *guanxi* was needed in all aspects of a business, irrespective of the size of the business:

> I used to think that it's just at big enterprises you need big *guanxi*. Actually, knowing lots of guys now that are in smaller enterprises, you still need *guanxi*. You just need it. That's because at the end of the day you still have to pay tax, you still have to be involved with the local officials to do things. So you want things to be easier, you want relationships. *Guanxi* is not just with the official side of the business, it's actually about other things, about sales, distribution and everything else. It's about those relationships and networks across the country that help you in your everyday work.

Another New Zealand senior manager further explained that not only was *guanxi* important, but also the ability to build *guanxi* was necessary for businesses operating in China:

> A Kiwi company coming to China has to have had time to build some of those trusted network[s], if they want to get help. And I'll say that it's not *guanxi* that's important, it's the ability to build *guanxi*, because somebody who has a problem doesn't necessarily have a friend who can help them. They have to be able to find the person who can help them, and building that relationship is more important than just saying, 'Oh, I had dinner with the vice-governor of Sichuan, or whatever, so I've got really good *guanxi*.' Bullshit, you've got no *guanxi* at all. If you've gone along to a meal, and the vice-governor of Sichuan is there, he is not there because he loves you, he is there because he loves the person you are trying to do business with. And no matter how smiley his face is, if there is a problem, he is not on your side, he is on his trusted partner's side.

3.4.1.2.2.2 Circles of trust – rings of guanxi

The nature of *guanxi* is complex, and is often best understood in terms of a layered or ring structure surrounding each individual, representing different degrees of trust. A New Zealand CEO gave his explanation of this layered structure and the challenges for New Zealand business due to the complexity involved:

> I think the biggest challenge is … understanding that the relationships in China are far more complex than they are in a Western society. In a Western society, basically what you see is

> what you get, in general. In China, it's not that. It's actually a complex of a hierarchy between the respect and responsibility to family, and then to friends, and then to the company you might work for. They … appear to be a reasonably strict hierarchy, and then you look at family. Family, generally, would do whatever they can to assist family. And then the friends are normally voted into two chunks: friends that are long-term friends, school friends and social friends; and then friends that are colleagues at work, which is another sort of bracket. And responsibility and loyalty that [are] given to each of those at different levels is far more extreme and almost unwritten. It's the concept of *guanxi* that is just flat out complex. As at least that might add a little bit of a challenge, which is actually for the manager, particularly the farm manager, you have to understand how those complex relationships work, not only within your own organisation, but also externally, and how they relate.

Another New Zealand senior manager further elaborated on this layered or ring structure:

> You've got to understand … that within this whole hierarchy … there is sort of like a ring relationship. In the centre of it, it's family. It is very, very important not to violate anything within that family. Next outside of it, the next ring out, there is your school mates, your classmates, then outside that it's friends, then outside that it's the jungle. And anything goes out in the jungle. It took me a while to work out that the relationship, the next tier out from the family, was in fact your classmates. If you've got a problem, and it can't be solved within the family, then the classmates are the first port of call, and their network allows you then to maybe get to where you want to. If not, then it's friends, and then outside of that … once you get out in the jungle, it can be anything, because there [are] no allegiances to you, you have no friendship either … Is he trying to take advantage of me? Why is he coming to see me? As opposed to say, 'I am going to try and help, because he's asked a perfectly sensible question.' But there is always that suspicion. Why hasn't he solved it within his immediate friends? Why?

Another New Zealand business consultant described the circles of the trust relationships as being like an onion:

> If the person come[s] through your circle of trust, then you can trust them. You get almost sort of like automatic trust. And family, obviously is your first circle of trust, siblings, mother, father, cousins. Immediate family … this is the onion … here is the real story of *guanxi*. Your inner layer of the onion is the immediate family; and your second layer is broader family, that's where you've got your second aunties and third cousins, whatever, there is still a high

> degree of trust; then you have this really special layer, which is your classmates; then your work colleagues; it goes out until you get to the outside of the onion, and it's the common person, and they are basically fair game. No trust there at all. If you've been introduced to somebody through your *guanxi* network, through your circle of trust somewhere along the line, then you can move the needle towards 'This person is okay.'

3.4.1.2.2.3 Guanxi and responsibilities

The relationships that *guanxi* represents in China go beyond what Westerners understand as familiarity between people. *Guanxi* also entails responsibilities that are attached to the relationships. As one New Zealand CEO commented:

> It is difficult, and as a Westerner, not understanding the languages … to say that you have that same depth of responsibility to go with the relationship … it's not just the relationship. It's the responsibilities that go with that. That responsibility and that relationship [go] very deep, so that's a fundamental difference between the cultures.

The expectations of the responsibilities provide the basis for what one informant called "the indebted society":

> I think … the core has always been, in their times of unsettlement, who can you really trust? It's going to be your family, because … okay, there [are] always instances, and there is exception to the rule, that some family member let[s] you down. But generally, who else have you got to rely on? You are getting into dangerous situations. If there is anyone I can rely on, it's going to be my family surely. Family is going to try and protect itself, because it wants to stay − longevity … that's what it's all about. And then of course seek your immediate friends that have protected you in a school situation, or university. They are going to be your colleagues. They depend on you as you depend on them. So it's what I call … an indebted society, because you are always in debt to someone, because they have done something good for you, so now you feel you've got to do something good for them.

He further explained the phenomenon of gift giving within the context of an indebted society:

> So this gift giving, and how payment has come about, I can see very clearly how that's all come about. We don't do it so much in our society. If somebody does a good deed for you, you remember it, but you don't feel … 'Oh, I must do something good for them.' Often … when I first came here and was living in here, I never understood why we were forever buying gifts, and we were always trundling around to see people to give things. I wouldn't have done that in New Zealand. I might have to take them out for dinner, and that would be

> the end of the matter. My debt is paid out. But it's that constant … and that gives the reinforcement that you are truly a friend, that you have done something, and something is done for you. So now they feel obliged … sometimes, out of the blue, maybe six or nine months later, you ring and say, 'Look, I've got a little problem, can you help me?' And I don't think there is anything wrong with that, to be honest.

Another New Zealand senior manager shared a similar understanding:

> I think … everything you read has got a description of what it means or doesn't mean … It's people helping others and doing favours for others, not with an expectation of any immediate repayment, but just in the expectation that it's deepened your relationship for further on, so at some point in your future, there may be a time where they need your help back. I think a lot of things happen … that are part of that people doing favours, or helping you out in a certain way that wouldn't normally happen in a New Zealand business environment, that are part of that concept of relationship at a slight[ly] different level, and [a] different expectation of how that gets paid back in time … which is a different concept to understand.

3.4.1.2.2.4 Difficult to navigate through

The complexity of the *guanxi* network present challenges for New Zealand entrepreneurs and businessmen, who are often not used to the 'rules of the game' in China. As one New Zealand senior manager pointed out:

> Everyone in China we went [to] seems to have their own strong government connections. It would be Customs, or quarantine. For us, it's quite difficult to understand what sort of relationships those people, or companies, or partners may have. Are they very transparent, open relationships? Are they [such] that we should be having nothing to do with [them]?

Another senior manager shared the same perception:

> There are different ways of things that are facilitated in China that are different from New Zealand here. Everywhere I've been, and everyone I've talked to … will tell you about how close their links are, with Customs or CIQ [China Inspection and Quarantine]. 'I was at so-and-so's wedding', so therefore they've got this implied status. We are always thinking, 'Gee. Does that mean that this person has genuine influence, and I risk pissing him off by not doing business? How much influence could pissing him off have on what we are trying to do?' I found that quite hard to get around in terms of how much credibility you put in people's relationships. We've had … messages passed back at formal meetings with

> Customs officials, which we know that the message has been passed through from a commercial party, back through an official meeting, to try and give extra weighting to that particular business situation. So understanding how much what the official is saying is true official policy, and how much of it is because he is this company's guy in the Customs is hard to work through.

Without established networks, navigating complex and intertwined relationships can be very challenging for foreign businesses, as one New Zealand senior manager commented:

> For us [New Zealanders], we understand how relationships are important, but [in New Zealand] the relationships are much narrower in terms of the scope, where you've got the people across the way that you are doing business with, and you want to have a relationship … [or] you've had some peripheral organisations or entities or government that you might need to interface with. Whereas in China, it's so much broader. Why is this relationship over here important when we are talking over here? And the energy and the time that goes into the relationships from their perspectives, is just 'Hey, no. I cannot … I can't do this until I've done that over here. I need to have dinner with this person over here with whom we can have this conversation.' We get all that, we just … we can't navigate our way through it, because we don't have that network.

3.4.1.2.2.5 Guanxi within an organisation

The business relationships outside an organisation are complex and challenging for New Zealand agribusiness entrepreneurs, but one New Zealand CEO also commented on the complexity of the relationships among the staff members within his own horticultural company:

> When you get to a business situation … you learn very quickly, and it doesn't take long, three or four months, you start to get a picture of different groups within the employee group, so it's not a cohesive whole like a team. First of all, in the office, everybody is an individual, very much individuals. … And then within that, there are very, very strong connections, for one reason or another, between individuals of the organisation, and sometimes irrespective of the hierarchy. And those particular loyalty groups eat lunch together. They socialise sometimes together. And you very quickly know who is of which side of the camp. Quite often they'll do three or four different groups, all eliminated through situational things within the company. … You have the old employees, and the old employee group might be voted into two chunks, one supporting the previous manager, and one supporting the new manager. Then you get another lot supporting nobody but themselves. … It's a far more complex thing to do [to] be able to develop anything that

> looks like that – constitutes as a team that we think about and we often suggest that occurs in a Western organisation.

This complexity of relationships within an organisation presents challenges in human resource (HR) management. One Chinese HR director of a New Zealand-owned (and operated in China) company explained why she saw 'towing the company line' as easier with a foreign boss instead of a Chinese boss: "There are a lot of intertwined complex relationships in this. There [are] a lot of emotions, relationships, who can restrict whom, all that sort of things."[10]

She further explained the reason why she could implement a specific policy within her own company, and why it was easier with a foreign boss:

> It does not matter if he [the boss] is a foreigner or a Chinese. It is because he supports me [that I can do this]. I believe that if it was a Chinese boss, if he was determined, could handle the pressures and was willing to support, he could do it too. For him [her foreign boss] it would probably be easier. 'I am a foreigner. I come from a different country.' For a Chinese boss, it would probably not be this simple, because he was born and brought up here, he's bound to have his relationship networks. The pressures that he receives would be inherently greater, compared to a foreigner, but of course it all depends on his determination. … You cannot be in a vacuum. … My communication with a foreigner can be smoother and more open, because I have no need to know the kind of thinking and the networks that he has, because our networks would not overlap. … Everyone's circle [of relationships] is different. For a foreigner, you are very goal-oriented when coming to do business, or anything else. It's just this one thing. Not like a Chinese boss, it is possible that other than this one thing, there are many other contacts, relationships, etc.[11]

[10] Original Chinese quote: 这里面有很多错综复杂的人际关系啦。这里面有很多人情啦，关系啦，谁能把谁制约上啦，这种东西挺多的。

[11] Original Chinese quote: 不管他是老外还是中国人，是因为他能支持我。我相信如果是中国的老板，他有这种决心，他能扛的住，他愿意支持，他也能做到。对他来说可能做起来更简单。我是个老外呀，我从国外来的呀。对一个中国老板来说可能没那么简单。因为他在这儿生，在这儿长，他肯定有他的人际关系网。他的压力可能无形当中会比一个老外的压力要大一些。但是这个也看决心 … 你不可能真空 … 我同意跟国外的人交流可能会比较顺畅，比较 open 一些，因为可能我也不用知道你原来有一个什么样的想法、思维呀、圈子呀什么的。因为我们的圈子不会交集 … 大家各自的圈子不一样吧。做为一个老外你过来，你的目的性很强的，过来做事业也好，做什么也好，那你就是你这样的一个事情嘛；不像一个中国的老板，可能我除了这个事情之外，还有很多我的人脉呀，关系呀，什么什么的。

3.4.1.2.2.6 Similarity to Māori practices

One New Zealand entrepreneur, who identifies as Māori, talked about the similarity in the concept of *guanxi* in China compared to some Māori practices he is familiar with:

> I think Māori and Chinese have a very similar outlook. Relationships are very important. The concept of face is very, very important as well. Chinese and Māori are very similar in that you do a lot of talking, trying to form some connections. And they will do that through family or through some kind of common thread. You do a lot of talking, making sure that you are comfortable with each other. Just look at the Māori culture when you go into a marae in New Zealand. First thing you do is that you must be welcomed, so there is lot of kōrero, lots of talking backwards and forwards, paying respect to ancestors and everyone else, and recognis[ing] certain things. Once that has taken place, then you are welcomed into the homes, you are welcomed into the marae. And in there, there is lots more dialogue, lots more talking going on, but at which point you become like a local, like a family. For me, the experience in China has been no different. There is a great deal of discussion, a great deal of talking, and people wanting to become comfortable with you.

3.4.1.2.3 Face

3.4.1.2.3.1 The importance of face

The concept of 'face' was identified as one of the important social institutions in China that bore much importance in business dealings. One New Zealand business consultant pointed out:

> Protecting a Chinese person's face is really, really important, still. In particular, if you want to say something that could be perceived as critical, for goodness sake, don't make a comment that would appear to criticise a senior in front of a junior. You will lose them completely. They just won't talk to you again. If you insult them in front of their juniors, that's the end of a relationship.

One New Zealand senior manager shared his observation on the differences between New Zealanders and Chinese regarding the concept of face in business situations, and the challenges that brought with it:

> In China, there is a lot about losing face. In New Zealand, I don't think that's anywhere near like that. … People who you are dealing with, a group of Chinese, if there was a senior person, and you must always show the utmost respect and even if … the discussion is getting frustrating, because you are not making progress, you've got to go … at a speed which you are always showing respect. In New Zealand, if it is not making progress, and the person across the table from you is someone you are not really getting on with, you tell

> them, and quite quickly, you probably are going [in] separate directions. And that wasn't the way that I felt I could do business in China. … I found that quite challenging, because it was mentally hard to all the time being … 'If I say something, will it cause the person across there, the senior person, to lose face?'

Another New Zealand senior manager explained the range of activities that are involved with the concept of face in business dealings:

> The obvious things are things like the way in which … the conversation runs, who has authority, the respect that you pay to people who obviously have authority, seating plans, all those sort of things. From a business point of view, just ensure that you are talking to the right people, either the decision makers, or the most authoritative people in the room, those sort of elements; all the way through to banquets, and the way in which you treat people in banquets, and the way the toasts are done, all those sort[s] of business.

One New Zealand CEO pointed out that the face of the officials in China, in particular, needs to be looked after:

> Very important. I think it's a classic difference between the Chinese system and New Zealand. In China ... for these guys [officials], they are appointed into positions, and when they support, and you succeed, that obviously reflects well on them, as officials, as governors, as mayors, whichever. And when you perform poorly, then likewise, that reflects on them.... There is this face issue. If we commit to something and we don't do it, then it becomes a big loss of face, not just for our company, but for the officials that have organised that, and because that goes back to the whole issue again, land and agriculture are very sensitive areas. If you don't do it … they've backed you, they've supported you, they've represented you to senior levels of government − if you don't achieve it all, if you don't do it, then it looks poor. That's not to say some things don't work out, but it can work through a process that everyone can come out of there, in a situation where there isn't that loss of face, and people can move on.... Whereas in New Zealand there is none of that.

3.4.1.2.3.2 Reasons for the importance of face

When being questioned about why face is so important to Chinese people, one Chinese senior manager explained: "It's about bringing honours to the ancestors. In China, for a little boy, from [a] very young age he will be taught, 'You must bring honour to your ancestors.'" [12]

[12] Original Chinese quote: 要光宗耀祖。在中国一个小男孩，从小就被教育‘你一定要光宗耀祖’。

A New Zealand senior manager gave a similar interpretation of why face is important for Chinese people:

> It's a matter of honour. It's like us being accused of something that you don't want to be accused of, and we feel very uncomfortable, and you don't forget. And it's the same with them. In their case, they refer to it as 'face', and if it's shown up in front of some of their colleagues, then they are looking like being belittled, and they've been humiliated, and it's not comfortable for them … then it's a revenge for him. And you may find that something happens in the future that you were hoping that you might have been successful, and it turns out it hasn't, because there is backdoor activities going on, because you've humiliated him here. It will come back to you.

3.4.1.2.3.3 Implications for agribusinesses

The importance of the concept of face has its unique implications when it comes to agribusiness activities, such as banquets and social functions, where luxurious foods are often consumed for the sake of gaining face. One New Zealand entrepreneur explained the implications of eating expensive seafood in China:

> Seafood is a currency for *guanxi* at government dinners, and it's also a hugely conspicuous way of consuming, and it's a way of showing wealth. It's a very rich reality that we are in right now. People want lobster, they want salmon, they want expensive seafood. It's the same to a bunch of Auckland stock brokers going out to a steak house. It's … conspicuous consumption … basically is what wealthy government delegations want to eat, and wealthy Chinese businessman want to impress their friends by having shark fin soup, or whatever it is.

Similarly, products such as wine are consumed according to their perceived value, depending on the type of social function. One New Zealand senior manager shared his observation on this:

> The more traditional banquet type, they go for French [wine]. And if they can't get French they go for Australian. … New Zealand is not really seen in that … space in a banquet situation. … It's not known. … But funnily enough, you put people in a situation where there is no face involved, and say, 'What do you like? Which one would you try?', they actually really like New Zealand white wine. They rate [it] really, really highly. But that's in a safe situation, where you don't have to sort of appear to be drinking the right wines.

A Chinese senior manager also pointed out the unique implications of selling luxurious products in Asia due to the importance of face to consumers:

> Particularly in Asia, in Japan and in China, things are expensive if they are precious. In Europe, roughly things would stay … the same prices for 1 year, 2 years or 3 years. But if it is a very beautiful looking, very delicious and very special fruit, you can sell it for a sky-high price in Asia. You say that 'This will cost 100 RMB to buy, and only I have it', and you will be able to sell it. This would be impossible in Europe. In Europe it would be, 'It's just an apple.' [In Asia,] no matter how expensive, some people will buy it. If you dare to sell it, then I dare to buy it. I just want it to look beautiful.[13]

This view was affirmed by another Chinese senior manager: "[For] Chinese … they just care about the face. Whatever is the most expensive, I will buy it."[14]

3.4.1.2.4 Goals and responsibilities in life

3.4.1.2.4.1 Survival

Another aspect of the social institutions in China relates to people's goals and responsibilities in life. The strongest message that came from the informants in this context was about the concept of survival. A New Zealand district mayor gave his explanation of why many Chinese appear to be driven:

> They have to succeed. Effectively, in China, there is no effective welfare system. You … work … if you want a house, you want food, [then] you have to. In New Zealand, we are complacent like that … so naturally Chinese people are more driven … trying to survive.

A New Zealand CEO who was based in China shared a similar view in the context of the rapid development in China:

> It is very, very competitive. I think the survival side is very high. … It is because … China has come so far and so fast, and everybody is trying to get on the conveyor belt. … As a young person, you are not dead in the water, but you might as well be, because there is no social support in China. You don't earn − you don't eat. So, that social support in [the] Western world, you can be unemployed and have no work for [a] long period of time, and still eat; in China, it's not the case. It's a pretty harsh environment. … That obviously build[s] this huge … survival streak within the population to make sure that *we will survive*.

[13] Original Chinese quote: 特别是在亚洲，在日本，在中国，是物以稀为贵。你在欧洲，基本上一年、两年、三年都是那个价。但是如果你是一个非常漂亮，非常好吃、非常特别的水果，你在亚洲就可以卖天价的。你说这个 100 块，就只有我有，还真就卖出去了。但是在欧洲是不可能的。欧洲是'不就是个苹果吗？'（在亚洲）多贵都有人买。只要你敢卖，我就敢买。我就要漂亮。

[14] Original Chinese quote: 中国人 … 他就是好面子么。哪个东西最贵我就买哪一个。

Another New Zealand senior manager explained it from the perspective of the longevity of a family:

> If you look at the way that education goes on here, grandparents spend a lot of time looking after, nurturing grandchildren, because that's an asset for the family. They won't benefit, maybe the parents won't, but the children of the children being nurtured may, so they look at it over a number of generations. In their case, they don't look for immediate gratification … they look for that investment, and survival, longevity … stuff. … Understand the core part: that family wants to survive. How they are going to survive? … The grandparents see that core is very, very important to protect, and that's that survival, longevity thing.

He further explained that a difference between the Western world and China involves the 'survival of individuals' versus the 'survival of the family' in the context of family members helping each other out in China more than they would in a European environment:

> That is something that we don't do in a European environment. You basically say, 'Okay, I've got a few close friends. But you look after yourself. I am not going to help you. Why should I help you? You've learned as many of the rules as I have, so get on with it. Don't come moaning to me.' And that's being harsh, but that's basically … we are more individualistic, and our survival really is survival of the individuals, as opposed to the survival of the family. Family is hell of an importance [in China], whereas [for] Europeans survival is [about] individuals. And it doesn't matter whether the family is broken down, because you can survive out there, because you've got enough, you know enough of the rules to not feel that you are at sea. Whereas family members that [are] cast adrift here − very, very hard to do.

A Chinese senior manager explained the pressure for survival in China that she perceived: "I think the pressure for survival is big. … Lots of people, therefore we have such a pressure. … Perhaps because we have lots of people, we have huge pressure to survive."[15]

From a business perspective, a Chinese senior manager gave her answers to the question of how far ahead an average Chinese company would think, in terms of profitability, before deciding on what business to venture into:

> Of course he would only look at making a profit within that year! … This is probably because we have too many people in China. … He's got to survive. If my company only has expenses,

[15] Original Chinese quote: 我觉得是生存压力大 … 人多，大家就有这种生存压力 … 可能因为我们人口多，我们的生存压力大。

> and no income, how do I feed my workers, where would that money come from? Not every company can get [a] mortgage from a bank, not every company can get the support from the Government. … Because here in China, many things are competed from different starting lines. … As [a] human, he's got to survive first, before seeking development. … Of course he would think that the faster [that he can make money] the better.[16]

> If you don't get going, others would have gone. For your enterprise, if you don't get ahead, other enterprises will soon get past you, and you will be eliminated. … Of course it's about survival, because China has too many people. I think the fundamental [cause] is that China has too many people.[17]

This drive to survive, from a business investment and operational perspective, present challenges for foreign agribusinesses, whose business activities often involve long production and investment cycles. One New Zealand horticultural consultant pointed out:

> One of the big issues with horticulture or agriculture is trying to get people [to] think beyond a 2- or 3-year timeframe. I think that's definitely a cultural thing. I find, as you know, in most agricultural projects, you've got to be thinking minimum 5- to 10-year timeframe. Really difficult to get people [to] think in those terms here.

Food safety and intellectual property challenges are also prominent at the farm level, where the survival streak of the farmers is high, as one New Zealand senior manager pointed out:

> There is a real tension there. … The issue around food safety and sprays and those sort of things, and counterfeit, arguably, at the system farm level is rife, because those people are earning [a] very small amount of money. Anything they can do to add to their income, or stretch it further, they are going to do. At the basic level, people would be putting whatever they can on the fruit [such as sprays] to get more … production, or better size, or whatever. They are subsistence [farmers].

[16] Original Chinese quote: 他肯定只看当年赚了嘛！… 因为这个可能也是因为中国人太多的原因吧 … 他要生存呀。我的公司只有付出去的，没有得到的，我怎么养活我的工人，那个钱从哪里来呢？你不是每个企业都能从银行贷到款，每个企业都能得到政府的支持 … 因为中国这个 … 很多东西都在不公平的这个起跑线上来竞争 … 人他总要是首先要生存，他才能寻求发展 … 他肯定就觉得是 [赚钱] 越快越好嘛。

[17] Original Chinese quote: 你不走的话，人家别人就走掉了呀。你这个企业，如果你不前进，人家其它的企业马上就超过你了，你就被淘汰了么 … 肯定是生存嘛，因为中国人太多了。我觉得最根本的还是中国人太多了。

3.4.1.2.4.2 Family responsibilities

As indicated in several other sections, for many Chinese the survival of the family is an important goal. Family members look out for each other. In particular, the younger generation are expected to look after the older generation, as one New Zealand senior manager observed:

> China is not just the only one that respect their parents, and they'll look after them. But there is a huge sense of direct responsibility to make sure that they house and feed them, which is not sort of the case in other communities.

A Chinese senior manager expressed her sympathy to people in their 40s and 50s in China, due to their family responsibilities:

> What's the greatest characteristic of the Chinese? Not only [do] you need to look after the old, you've also got to look after the young, and the grandchildren. If your children have nothing to eat and come to your place, do you not give them food? Nowadays in China, for those who are in their 40s and 50s, it is very, very difficult.[18]

3.4.1.2.4.3 Social responsibilities

Beyond family responsibilities, Chinese also bear social responsibilities that are linked to various relationships, which, as one New Zealand CEO pointed out, go deeper than in New Zealand:

> We don't really have that depth of responsibility.... We may have a relationship, we may have a commercial relationship. But … for instance, if you were absolutely in trouble, as people do get into trouble, you just sink or swim in your own right. 'Well, hard luck, mate.' And you will be getting on with the day. But in China, if you got in the shit, somebody would be there, somehow, with a red envelope to assist you, or suddenly a million dollars turn[s] up in a brown paper bag, and [a note says], 'Don't worry about it, just give it back to me when you are ready.' Literally, the whole family's savings are put on the line if necessary, literally, whole family savings, and I've seen it happen, and that will go into getting somebody out of a sticky position, and with no wanting … at all, and I am talking about a couple of million US, just given on total and utter trust. It will never happen in your Western concept.

When questioned on whether such confidence in the repayment of the money was due to the belief that social networks will impose enough pressure to enforce the return of the loan, this CEO agreed,

[18] Original Chinese quote: 中国人还有一个最大的特点是什么呢？不光要管老的，还要管小的，还要管到孙子辈的。你说你子女没有饭吃了，来你着，你给不给她吃啊？… 现在中国特别是四、五十岁的这一带人，是非常非常困难的。

but emphasised that it was “the social responsibility that weighed [on] the shoulders for honouring that contract [rather] than any punitive thing that you may do. It’s just that social responsibility is absolutely enormous.”

3.4.1.2.4.4 Similarities between Chinese and New Zealanders

Apart from the differences mentioned above, Chinese and New Zealanders do share some similarities in terms of what they value in life. A New Zealand district mayor commented:

> I think China has been remote from the world until the last 20-odd years, particularly for New Zealand, and our access to it … we sort of quite hadn’t understood Chinese people. But actually, when you get to know them, they are just like any other people. They’ve just got a different language. They may have different beliefs, and certain things are slightly different about what they believe and what they value in, but they want to be happy, they want to laugh, they want to smile, they want to have a clean environment, they want to be successful in the world.

3.4.2 Social behaviours

3.4.2.1 China and Chinese-centric

“When in Rome, do as the Romans do”. This was identified by many informants as how the ‘rules of the game’ are played in China regarding business practices. One New Zealand business consultant commented:

> China is just a big game. It’s a game. You come to China, you play by their rules. To sum up China is that the Chinese look after Chinese. That’s the basis. Any investment, any products, anything, they look after China. If you can understand that, and it’s all about money, then you build from there.

Another New Zealand CEO pointed out the importance of understanding the rules of the game in China:

> Chinese have thousands of years of doing things the way they do [them].… There are obvious differences that you have to understand. That’s reflected in everything you do here.… You have to understand it, you have to appreciate it, and respect it for what it is. It’s a challenge that you have to come to grips with very quickly.... You must understand … [that it is] really important to understand the way they do business.

A New Zealand senior manager talked about his experience of realising that things had to be done on Chinese terms:

> I think the first year [after I moved to China] was the toughest, because it took some getting used to. You had to change. Even though I had been up here a lot of time[s], I had certain expectations, thought that the way things should be done, could be done, and it wasn't the case, so you actually just have to get used to it. You've got to do it on Chinese terms. It's [as] simple as that. There are some lines that you have to draw, but at the end of the day, if you don't find the way to move with the Chinese and work under their requirements, their system, and their way of doing things, you will be just hitting your head against the brick wall.... It's generally taken by the statement that, 'That's not the Chinese way', or 'China is different.' At the end of the day, when you get through all your argument, and you get to hear the statement, when it gets to that point, you know you've lost.

This China/Chinese-centricity is not only reflected in the ways that business is done, or the rules of the game in business, but also in wider social behaviours, whereby it is perceived that allegiance can only be pledged to either China, or somewhere else, but not both. A New Zealand CEO told the story of a former Chinese staff member of one of his acquaintances:

> I have had a lot of feedback from New Zealanders who have worked up there [in China] for extended periods of time, saying that if you get a group of the Chinese people who … become trustworthy, they are the best in the world. They are almost to the extent of stop being trusted by other Chinese. In fact, a person from the dairy board told me that he was up there for 5 or 6 years, and he had a woman working for him, who became almost his 2IC [second-in-charge], and she was brilliant, absolutely brilliant, everything about her. She was great at work, and she did everything very, very well, in terms of him selling dairy products in China. This is quite a few years ago. Then he was recalled to New Zealand, and she contacted him after a couple of months, almost in tears, saying that her life is now a misery, because the Chinese people wouldn't trust her. They had to deal with her beforehand, because he was there. Now she's been left because he was recommending that she was so good to deal with the local people. And now they wouldn't deal with her because they say that 'You are over there with these guys now. You are not one of us' type of thing, and he found her a job in Auckland. In the end her and her husband came out here, because she was so unhappy.... When he described it, that word 'traitor' wasn't used, but that's almost.... 'You are Chinese, but you are working for these New Zealanders. If you want to be a New Zealander, you be a New Zealander.'

3.4.2.2 Rely on the collective and stay unnoticed

A New Zealand business consultant shared his observations of the Chinese reliance on the collective from a survival perspective:

> There are a number of features of Chinese culture that will drive their superiority: obsession with education, the ability to sort and sift people … [put] the right people in the right positions, the right talent then to be applied to the right things, the unwillingness to invest heavily in welfare, preferring instead to almost force people to stand on their own feet or fail, which we would think it's just cold blooded, anti-social and horrible, but they can do that, while trusting that the collective will take care of the also-rans in life. Every society has its also-rans, and China has different ways to look after them … modest amount of welfare, but very modest. And then the collective has to look after the people that belong to it.

This reliance on the collective, when manifested in a business situation, shows that there is a tendency in many Chinese, particularly as employees, not to make decisions or take the initiative for fear of failing. This brings challenges in business management, as one New Zealand CEO noted:

> There are some fundamental barriers.... A lot of those are that the way that people think, the way they've been taught … until such time where the education teaches them to think and make decisions, because there [is] still a huge focus on communal decisions, and individuals not being willing to make decisions from fear that they may fail, and therefore be singled out as an individual that made that wrong decision.... So the group won't get around individuals and say, 'Look, we'll give this a crack, and we will share this success or failure. But what the hell. Let's have a crack anyway.' In China, you won't get that, that almost everything gets pushed upstairs, and quite often the only person who seem[s] to make decisions is the president of the company, therefore there is huge inefficiency.... In my crew, I've developed a bunch of young people who can think for themselves.... But I think … there still is this hang-over about individual thought, and nobody really wants to take responsibilities to make decisions. It does impair productivity, and it does impair innovation.

3.4.2.3 Social masks

Linked to the notion of relying on the collective and staying unnoticed is the impression of Chinese people wearing 'social masks', as observed by many informants. This is particularly noticeable among officials, as one New Zealand CEO commented:

> The bureaucrats are … just so bureaucratic, and they hold the block, they hold the stamp. They only become very, very close to you once you can have a few drinks with him … to

> actually get them [to] take off the mask. The way they do that is to get … blind drunk, so that they can then laugh and say stupid things, and they use alcohol as the excuse for doing that. When you can get that close, that creates the opportunity to develop a different type of relationship, rather than just be the bureaucrat to the needy guy, who go[es] along and wants to talk about land aggregation or other issues.… I think … that in general … they don't want to be seen [to be] different, so everybody is very similar in their behaviour and their responses.… So they don't really want to take off the mask. They want to make sure that they keep their guard up.

Coupled with the social mask is the double meaning during communication that some informants find hard to manage. One New Zealand senior manager expressed his frustrations:

> I think it is … the double meaning.… There is this frustration that sometimes someone will tell you something that is black, when it is patently white, and you can't sort of say, 'Hold on a minute.' You've got to work within that theatre, the whole act, in terms of here is somebody who we have to show respect to. They are telling us something which we know is obviously not true, or if it is, we want to dispute it, however, we are going to have to work our way around this. I guess that's dealing with authorities as much as anything.… We go and meet with [a] government official in Wellington. They will tell you something, and you know that's probably pretty accurate, and if it's not, you can very much challenge it. Here [China], it's just you are not too sure about either of those things. How true it may be, or is there any scope to question it further.

One step further on from this double meaning is the challenge of dealing with people with unfriendly hidden agendas in business: the 'knife hidden behind the smiley face'. One New Zealand senior manager described how he identified a genuine person from one with alternative motives:

> Almost it's as if they are too friendly, so almost the more friendly they are, the less I trust them. You know, one of the 36 strategies, 'knife hidden behind a smiling face'. So when I see the smiling face, I am always looking for the knife … and almost the more friendly the person is, the more I distrust them, because the people that I found you can work with tend to be … actually more honest.

Another New Zealand senior manager shared his fear about being "shafted": "At the end of the day, it's just this inherent kind of disquiet that you are going to get shafted somewhere along the line, because it's everybody's obligation to shaft you."

3.4.2.4 Conflict avoidance

Chinese people avoid conflict in their communications, as one New Zealand senior manager noted: "The language is all about conflict avoidance, so the body language and the oral language [are] about avoiding that conflict." He clarified further:

> It's a history of China. China has been in conflict … this is the most settled time China has had for a millennium, basically.… Like all people, people want peace and settlement, so they don't want to start up [conflicts], making things unpleasant, because nobody wants to have unpleasantness in their life, so the language and the body language particularly has been developed to try and avoid that.… I have seen it on the streets … things can flash very quickly. But it would have flashed even quicker if you [had] been in a European situation, whereas here it takes a wee while to develop. But when it does develop, stand back and move off quickly, because it can get really heated when things have reached that critical clash point. It doesn't happen often in negotiation of course, but be in a street situation, then something has happened.

The difference in the level of conflict avoidance between business negotiation and a street situation is a reflection of the layered relationship, as discussed in *3.4.1.2.2.2 Circles of trust – rings of guanxi*. The counterpart in a business negotiation has the potential to become someone within the circles of trust, someone to develop a closer relationship with, whereas a person met in a street situation would be regarded as 'out in the jungle'.

3.4.2.5 Hospitality

The custom of hospitality was described as part of the "Chinese way", as one New Zealand senior manager commented:

> This is the Chinese way. When you have visitors, you are hospitable ... and you are positive in front of everyone. But you [New Zealanders] have got to be able to see beyond that. What does it really mean? That's not the Chinese being devious, or trying to mislead you. It's just the Chinese way. That's the way they do it.

A New Zealand district mayor said that he always found Chinese hospitality "amazing":

> I've always found them very hospitable, look after me amazingly well. They take time out of their schedule, their family often come … to say hello. I am very grateful for the way that I've been looked after when I have been over there. Sometimes I don't think we do quite enough when they come over here, but they think it's okay.

Another New Zealand CEO spoke of the challenge physically, often during a pre-arranged visit to China for a limited number of days, as well as the experience of offending some Chinese hosts if their hospitality is denied:

> I've got to say, I put on about a stone while I was away. I don't know if you call that a challenge or not.... The reality is that the Chinese thing … you sit down, and you talk, and you have a cup of green tea, and you go through that process, you do business, and you go and have a meal. Sometimes after having about the third banquet in the day … of course, for them, you are the only really important contact to have for that day, but for you, it's the second or third one, and you've got it again tomorrow and the next day. So there is no doubt … just physically, that's pretty draining. If you've got to go up there.
>
> The Chinese by nature are very generous. If we went for a meal, we never paid, and they were insulted if you attempt to pay. They went out of their way to pick you up at the airport. They organised the hotels. A couple of them paid for the hotels, and we didn't know that until we were about to leave.... A few of them went to the effort of taking us to some touristy type of things, and definitely to their offices and things, and that's a lot more open than you would get than [in] a lot of the European countries.
>
> One customer we went to … and we said, 'Look, we've got to meet a guy at 1.00pm', and it was moving on pretty close to there. And they said, 'No, no. We are going for lunch.' And we said, 'Look, thank you very much! We very much appreciate it. But we just can't fit it in this time.' And they were really offended.

Despite the hospitality that Chinese people show, it should not be misinterpreted as trust, as one New Zealand senior manager pointed out:

> The main thing is the relationship. It's the number one.... This is about both people learning to trust one another, and that takes a long time. It's not simply going to a banquet and saying, 'Oh, yeah. They agreed with me, and they are going to do this, and they are going to do that for me.' No, no, no. They do that to please you, because you will be hosted by them, so they are there to please.... Hospitality doesn't mean to say that you are now a business partner. No way.

3.5 Business Environment

Encompassed by both the economic environment and the social environment is the business environment, within which New Zealand agribusinesses operate. The importance of understanding the business environment was explained by a New Zealand CEO:

> Obviously … understanding the business environment is very important, particularly in our sector, more so than some others probably ... because it's land, it's agriculture, and it's the number one priority for the central government, so it's very important.... You are in the highlight, you are in the spotlight, so it's important that you understand what that all means. And it means a lot.

This section of the thesis will explain this environment from the perspectives of the overall business environment, business practices and behaviours, the agribusiness environment, as well as the challenges for New Zealand agribusinesses.

3.5.1 Overall business environment

"Everyone says there is 1.4 billon people here, the potential is huge.… But China is one of the most difficult places to do business with", an Australian senior manager commented. Indeed, the size of the potential market is correlated with the difficulty of operating in such a market. A New Zealand business consultant also commented, "People go, 'Oh, the numbers are big, so it must be easy.' It's the hardest place to do business."

Informants described the difficulties in operating in the Chinese market from the following three perspectives: competitiveness, diversity, and an evolving environment.

3.5.1.1 Competitiveness

"China is a very competitive place. It is an incredibly competitive market", a New Zealand CEO commented. Another New Zealand senior manager used a few examples to describe the competitiveness of the Chinese market:

> When I first went there, there were literally no bars.... What we would call a bar, Western type of bar … so all the foreigners would go and drink in a bar in a five star hotel. Then a British lady and her local husband opened a place … and it was a proper Western bar. It was packed from the day they opened. It was utterly packed. There were queues of people trying to get into this bar … thousands and thousands of people. Within 6 months from them opening that bar, there were 300 bars in Chengdu.

> Same thing, a friend of mine opened the very first coffee house in Chengdu. Within 6 months from him opening the coffee house, there were coffee houses on every single corner. To this day, the coffee culture is now inbred in the society.... So if you come in with some idea … you have about a year to prove that your idea is successful, and then you will have a hundred competitors.

Supporting this competitiveness is the savviness in the way Chinese people do business that informants observed. One New Zealand CEO used the term "hard businessmen" to describe Chinese business people:

> They are hard businessmen. You know where you stand, and you've got to do a deal. Sometimes it's challenging to be able to get into the level that you need and do the deal. I think that's quite a positive thing, that they are genuine businessmen.

Another New Zealand CEO described Chinese people's savviness in exploiting some foreign investors' time pressure, and their superior ability to do business and understand trading compared to New Zealanders:

> I think for New Zealanders coming over here … they are under time pressure.... I think the culture here is quite good at exploiting that time pressure.... You know, they are savvy. I think there is an expectation from the Chinese side − and I wouldn't call that a nasty thing, it's just business − that if there is a bit of a weakness there, just exploit it. Just drive in hard. I think it's just negotiating the best position.

> They do business with everybody. We forget that sometimes. I watch them deal with Indians and Africans. They don't have a problem with it. I would say Anglo-Saxons would have more problems sometimes. Chinese business people that I deal with, they've got no trouble … dealing with any colour or race, or whatever, if it's business.... Our culture is probably colonial, English colonial culture, where we were set up to produce for the Empire. We weren't set up to be international traders.... That's a culture that China also has. This trading ... trading [with] anyone and everywhere.... They understand business, understand trading, and understand relationships that are going to nurture wealth for everybody. I don't think that we understand relationships that are going to nurture wealth.

This competitiveness is also reflected in relationship building, as the same New Zealand senior manager commented:

> You have got to get right inside … where you are on a proper friendship basis. And it's really complex, because you might have the relationship with party Mr X, but around him would be all the people that also want to get his attention, and they will be working to undermine your relationship with him, because you are preventing them making money out of him, because they've got their own favourite project.

3.5.1.2 Diversity

The diversity of the Chinese market is due to the size of the geographical area covered as well as the size of the population. One New Zealand senior manager pointed out:

> Almost like the first principle of dealing with China … is that, don't deal with China, in terms of, China is too big. China is like Europe and the United States all combined. It is a unified country, but it's not a unified market. It's a fast market, and it has so many local peculiarities.... Therefore, specifically in terms of New Zealand, dealing with China … New Zealand is too small to deal with China. New Zealand should be dealing with individual areas in China. That separation might be vertical market sector, or geographical location. But don't try and bite off the whole of China.

He also emphasised that Shanghai is not representative of China:

> Kiwi companies like to go to Shanghai, because it's a modern city, lots of people speak English. Go down to Xintiandi, or the Bund at night, 150 bars that you can feel comfortable in. You can go and talk to people in your own language, and you think that you are in China, but you are not.

Not only are there geographical and demographic differences; informants noticed a variety of styles within business operations, as one New Zealand senior manager explained:

> We've seen quite a diverse range of companies, from the very old traditional way of doing things, so no records, no tax, no paper work … business is done in [a] much less formal manner. The level of sophistication with the people that we are meeting is very different as well, very little English, the drinking culture is probably more important at that end of the spectrum. Through to what we would term 'modern businesses'. So, administratively, much more correct, looking at being more transparent in terms of how they are doing things, better English, better standard of … interface.
>
> Then there is a real future style of business as well. We've had excellent English from our perspective, probably had a Western experience or education; using business models which are much more complex, online, internet-based business, different channels of distribution

> and what have you, and they do business in a different way. Everyone seems to, across the board, have a good relationship, the relationship that makes the business work that we don't get.

Diversity can also be seen from the ownership structure perspective, as this senior manager further explained: "Also state-owned versus … commercially owned Western shareholding, or Chinese shareholding, or state shareholding … the joint ventures with American or European companies. They are all a little bit different."

Another New Zealand senior manager from the same company elaborated further:

> [Lenovo Legend Holdings] has grown out of the Hong Kong environment, so almost less Chinese than most of the other Chinese companies, and how they operate. Whereas COFCO[19] is [a] state-owned Chinese trader, similar size, quite different people to deal with … quite different philosophy in how they approach things.

This senior manager also observed the diversity of business, particularly from the business culture and demographic perspectives:

> It's the diversity that exists within the business culture in China … that we are not used to. Arguably, business ... in New Zealand or Europe, or other place[s], the maturity of that business, the level of understanding and uniformity within it … just doesn't exist in China…. From the demographics, the income … China is the most first-world country in certain areas. Two doors down, it's the most third-world country…. There is such a diverse way…. From the online guys through to the wet markets, and the wholesale, all that sort of stuff. That's very, very different business models.

3.5.1.3 An evolving environment

The diversified Chinese market and business environment is not static. In fact, it is ever-changing. One New Zealand winery owner commented that "You are never exactly sure why things happen or why things change." Nevertheless, some informants did give their versions of an explanation for the ever-changing nature of the Chinese market and business environment.

Over the years education systems evolve, particularly with more Western influence in recent decades. These different educational backgrounds influence different behaviours in businesses. A

[19] China National Cereals, Oils and Foodstuffs Corporation.

New Zealand CEO spoke of the business partners he had encountered who came from the "old China" and the "new China":

> If I could categorise the ... partners, they fall into two groups, the old China, or the new China.... The management teams in the old China group are dominated by more elderly Chinese, guys in their 50s and 60s. They don't speak English. They, in most cases, are only educated in China. Their business practices are based more in *guanxi* than on sound financial analysis. Their decision-making processes are not democratic; they are autocratic. They don't practice good governance.... You could say that they don't practice good management. So that's the old China.
>
> The new China is … companies that have management where they all speak English, or they are multi-lingual. They are, in many cases, educated offshore. They understand the principles of good governance and management, and can be as sophisticated as companies from USA and Europe. So that's the new China.

Apart from the changing education, another catalyst for change in China is social media. People now use smart phones to share information widely through social media platforms, providing transparency, which puts pressure on unethical business practices, particularly those that are related to food safety issues. As one New Zealand business consultant pointed out:

> I think one of the key things that's happening in China is transparency. Social media is changing China. When I arrived in 2007 … China was totally different. Because of these things here [smart phones] with cameras, people are starting to open up. China is opening up … and that's going to change everything, because what Chinese consumers are worried about now is they want safe products, so what [some people have] … been doing in the last several years, is going to have to change.
>
> Chinese farmers, some of them grow product, which they know is not good for you, dangerous, but they still sell [it]. Most parts of the world, most of the farmers will go, 'Hold on, that's not right … that's not fit for human consumption. We have to get rid of that.' The Chinese mentality is that, 'We will just sell it, so it's someone else's problem.' So transparency through social media is opening up all these issues, which is good.

He further explained:

> If you look at Weibo, which is like Facebook and Twitter combined. It's a great platform. It's an open platform. You communicate, and you engage, and you listen. Social media is not

like the old media, where you push everything out. Social media is where you listen and you absorb, and you find out how people are using stuff, and you search, and you engage and you listen to people. So what it's doing is it's given you the ability to talk to the consumers, and you can sit anywhere in the world. It's also given you an insight to what they are talking about. What are they posting about New Zealand wine? How are they talking about it? If they are talking about it at all.

3.5.1.4 Foreign companies' advantages

Apart from the above three aspects, some informants also observed some welcoming features in relation to foreign companies operating in China. For example, in relatively less developed areas, where farming is still primarily for subsistence, foreign investment is welcomed. One New Zealand middle manager described the biggest surprise he encountered at a rural area in northern China:

> Probably just how friendly the people were, I think, and just how welcoming they were for a foreigner. For the local farmers, the thought of a foreign company coming in to their town to build a dairy farm was just amazing for them. All they could do was to see opportunities and jobs…. Whereas if it was the same thing happen[ing] in New Zealand, there is a completely different reaction. They were more into this sort of foreign capital, and things coming into their town. I was always asked, when the dairy farm would be built, how many more foreigners would be coming in to the town, how many jobs was that going to create, how many cows…. They were very keen.

There is also kudos in working for foreign companies because of the language (primarily English) and new ways of thinking that people can learn. However, this may only be a temporary phenomenon until China becomes the leader on the world market, as one New Zealand CEO described:

> Working for a foreign company is really interesting, because they get the opportunity to speak English, they get an opportunity to learn different ways, so there is a bit of kudos at the moment. It won't be lasting very long, because China is becoming international so quickly, that almost all China companies, majors, there will be an international domain within the next 20 years, so that sort of kudos will drop off at that [time].

3.5.2 Business practices and behaviours

Certain characteristics of the business practices and behaviours of Chinese people have been identified by some of the informants. These characteristics are reflected in three aspects of business practices and behaviours: communication, negotiation, and execution. This section of

the thesis is dedicated to describing these characteristics, as seen through the eyes of the informants.

3.5.2.1 Communication

Some informants noted that communication with Chinese business partners is not always straightforward. One New Zealand middle manager described his experience with the local government in a county in northern China regarding the likelihood of flooding in a particular region:

> When I first turned up, I asked the government, would we have a problem with flooding. The reply you always get is 'Mei shi', 'No worries.' I heard that a lot. I sometimes felt that you never sort of get a negative answer. If they didn't know the exact answer, you'd either get 'No worries', or 'It will be okay.' I never got told that I was going to have a problem with anything, until it happened. When I asked, 'Is it going to flood this year?' They probably thought, 'We have no idea. Some years it does. Some years it doesn't. So we'll just say, "No, you'll be okay".' Whereas if I asked how many years out of 10 would this flood, I might have got a more straightforward answer. I sort of had to change the way I ask questions …. It made a small difference.

A New Zealand senior manager described the strategy they employed in communicating with Chinese people in order to understand the subtleties of the unsaid words:

> We've used consultants who I guess we have a lot of confidence in, because they are helping us to understand not only what was said, but what wasn't said, so that's their job. We have them on board, so we have confidence [in] … what they are saying. They understand the subtleties. And also in our own team, we have people who understand the business relatively deeply. Fair to say, we think we have quite a bit of trust in their ability to also read the situation, because after the meeting, they sort of said, 'Well. This is what was said. But this is what was meant.' Again just building up that track record of knowing how things operate, and getting the feedback, and being able to discuss things at a face value, but also the innuendo, in terms of what was potentially being said, but was unsaid.

A New Zealand agricultural consultant talked in particular about the ineffectiveness of communicating with Chinese people via email. By contrast, face-to-face communication was far more efficient:

> One frustration that I can think of is that when you are trying to communicate with people in China … organisations, in New Zealand, I might just flick an email to someone that I had

> worked casually with once a month, someone in the US, and say that this is what I've been doing. If you do that to someone in China, normally they wouldn't respond to that. They would only respond when there is a need to respond to something specific, so even people that I know really well, that sort of chit-chat email type of thing doesn't work.
>
> And if you are trying to get some information that … when we were trying to set up a memorandum of understanding … a few years ago, we sent them [the Chinese counterpart] a draft, and they just kept stonewalling us, and they wouldn't respond. I had Jane [pseudonym] at Trade New Zealand ring and talk to them, and they said, 'Ah, yeah, we will deal with it.' So after about 2 years, I organised a trip to go and see them. It all fell into place very quickly. But it just turned out that there were some paragraphs in the memorandum of understanding that they didn't understand, were a little concerned about the implications, but instead of asking us 'What does this mean?' and do things like that, it all became 'This is too hard.' Yet when we went and saw them, everything fell into place in 2 days. And we developed a new understanding in that relationship.

3.5.2.2 Negotiation

Business negotiation takes place in China in different ways, as one New Zealand senior manager pointed out:

> They approach business relationships and negotiation differently. I guess that the multiple dimension is … the amount of time it takes to agree or settle on something. The venue for discussion is either at a dining table, or around a tea table. And I suppose, post agreement, it's when things can change as well … that seems to be the common thing. It's like the contract is kind of like a starting point, and then future negotiations, generally all based around price … so as long as you know that, you start with your price high, and you come back to where you want to be, then everybody is happy.

As reflected in the above comment, there are two distinct features of business negotiation in China, as observed by a number of informants: the different emphasis put on contracts compared to the Western environment, and the drinking test involved in the process of negotiation.

3.5.2.2.1 Contracts are considered differently

A defining difference between Chinese and Western business practices, as observed by many informants, is how contracts are regarded in the business context. Whereas in the Western world contracts are often regarded as definitive – something to be strictly followed, in China, they tend to be treated as discussion documents, with their priority sitting somewhere below the actual

relationships between the parties. One New Zealand agricultural consultant shared this observation:

> I think there is a tendency for Chinese to see legal agreements as discussion documents. I've seen a number of cases where a New Zealand company has signed with a Chinese company a legal agreement about doing business, then the Chinese side coming back, and wanting to renegotiate items. So clearly their interpretation of the legal document [is different from] … the New Zealand side's interpretation, where 'this *is* the legal agreement'.

When asked if he saw a contract as an important part of a business deal, a New Zealand business consultant answered:

> Nah. Not at all.... It's a basis.... [A] contract is sort of 'Where we are going'. But how are we going to do it? If you and I have an agreement to do some business here, but we don't get on, how are we going to do business? I don't trust you and you don't trust me. How are we going to do business? Contract, yeah, it's important. In the rule of law, it's becoming more and more important, so you've got to get it right. But it's a bit of paper. The reality is that you and I have got to get on to do business. If we don't get on, and we are a joint venture, or whatever it is, the contract is over here. You can bring the lawyers in. Well that just costs money. It's between you and I.... It's sitting down and having a yarn, enjoying each other's company, because we want to partner with you.

An Australian senior manager indicated that he believed contracts with the growers only add one more layer to the relationship, have no impact on growers' commitment to supply, and therefore are not necessary to have:

> In Australia, the company that I was supplying has contracts with Australian growers. But I didn't believe there was any need for it here … because it worked without it, so why should you complicate it, and put a … division between the two … and quite frankly, the contracts don't mean a lot to the Chinese anyway, because the legal system here is still not up to world standards, and dealing with the Chinese here.... If they want to deal with you, they will deal with you. If they don't want to deal with you, they will nod their heads and say 'yes', and then not do it, so it doesn't matter if you've got a contract or not.... All it does is put another layer between the relationships, the cultural differences between the two players in place, and it wasn't necessary.

Another New Zealand business consultant suggested that "the bottom drawer" is the place for contracts:

> It's in the bottom drawer. That's the place.… It sets up the rules of engagement, doesn't it? This is how we plan to work together. The reason that I put it in the bottom drawer is because the world always changes, so what we said we would do may not be the thing to do now. What we said we would do, when we first set up this partnership, was if this happens, this is all we do. But I have a better suggestion now, why don't we do this, this and this? That's where you get this superiority of a relationship over a contract.

When asked if New Zealanders understand the difference between how contracts are regarded in China and in New Zealand, this consultant answered:

> Some do. And some will understand that their behaviour is infringing their own contract, and will suggest a regular review. Of course, in every contract, we put 'This contract shall be reviewed annually', but it never is. They drift away from it, which is the cause of dispute later sometimes. I've never heard of a Chinese company pulling out a contract, and saying … [pointing at the table] 'Have you …?' But New Zealand companies would.

A Chinese managing director, interviewed in English, spoke about the business deal his company had with a large New Zealand company:

> Most of the time, for [a large New Zealand company], we have 150 to 200 pages contract. Who would read it? If you fail Jane [pseudonym], you will not get the next job. Easy.… When we picked up this particular project, that's all because of Jane's trust. We don't really have a contract.… No paperwork, nothing. Just a call. But we trust her. She will not fail us, so we send our crew in. That's the way we do business.

This resonates with the comment made by another Chinese senior manager, indicating that signing contracts could mean there was not enough trust, particularly between friends.

Despite the importance of relationships over contracts, the latter should not be ignored. A New Zealand senior manager took a much firmer view on how contracts should be adhered to:

> Unless there is something which is outside the person's … unless there is some external influence, which is having an overbearing effect, then you have to talk about it.… You just can't go and change your mind because you decided that you didn't like what you wrote. You can't do that.

3.5.2.2.2 Drinking test

Another distinct characteristic of business negotiations in China is the involvement of drinking alcohol. When asked if New Zealanders need to know how to drink alcohol in order to go to China, a New Zealand district mayor replied:

> I think you do. If you are going to go to China, you are going to expect that you are going to a banquet. If you don't drink, just say you don't drink and be really firm about it.… They prefer you do. They don't sort of get it [if you don't drink].

He further explained the differences in drinking culture between China and New Zealand:

> Our drinking culture is different … that we drink slowly. Whatever we drink, we drink it slowly to enjoy. Over there, the culture with the rice wine and things is just to scull it, and even I found in red wine, in some parts, they just scull the red wine as well. We savour the flavours as we are drinking something. Over there it's different.… And they would consider it a great day if people had slightly too much to drink. They consider that's sort of a success … if they can get their guests like that.

A New Zealand CEO described it as "hard work" for those who wanted to do business in China but did not want to drink, particularly when dealing with "the old boys' club":

> It's hard work for the person that doesn't do business through alcohol, it is a particularly difficult thing to manage their way through it.… You've got to drink, and often you will be offered cigarettes as well. You get half drunk, and for some reason you seem to be some sort of a man if you actually smoke … and you drink as well, so that demonstrates a strong link with history, and [a] certain moderately contemporary view on the behaviour of sort of senior management or officials. And … that will change very quickly, I think, as the government moves to stamp out corruption, and for the younger, more educated people in those type of positions.... But … [in] the old boys' club … drinking is very much part of the culture.

A New Zealand agricultural consultant observed regional differences in the drinking culture within China, and saw it as a test posed by the Chinese hosts to see if the guests could handle pressure:

> I think the further west you go, or the more remote areas, that cultural integration, being able to play the games that they play [is more important] … particularly the drinking games. In a way, they do that as a test. It's a test to see how you react to different sort of pressures. If you don't participate, that's not good; if you participate to the point of getting drunk,

> that's really, really bad. So on the one hand your host is setting you up to see if they can get you drunk, but if you do, that's really, really bad. It's learning how to respond to a toast, respond to what they are doing in a way that you don't lose face. I think the further west you go, and the more remote areas that you go, those old culture entertaining habits are much more strongly engaged….. They are all [a] character test to put in front of you…. [They want to see how you can] handle the pressure, and how long it takes you to try to compromise…. I think they are trying to measure whether you are someone that they can intimidate and push over easily, how much resistance, how much give-and-take…. It's a lot more than courage, I think.

However, a Chinese managing director (interviewed in English), who was in his late thirties, thought differently about the custom of drinking:

> I believe the true friendship is not really starting from drinking, eating too much. A lot of times, the old Chinese way, you have to drink, you have to bribe each other, sending money or [a] gift to each other, which is out of date. The thing is, everyone has limited time. Get the job done is the way correctly to win the trust.

3.5.2.3 Execution

In terms of business execution, informants observed some contradictory characteristics displayed by Chinese people, from both the employer and employee perspectives. On the one hand, people, particularly employees, appeared to possess a different − and often more dedicated − attitude towards work compared to New Zealanders, represented by an unclear boundary between work and private life. These dedicated employees can be, at the same time, displaying their lack of willingness to make decisions and undertake solution-oriented thinking. There are also some other behaviours that are often hasty, 'cutting corners' at the expense of quality.

On the other hand, some Chinese people, particularly those who are in more directive roles in businesses or government, can possess traits of short-term, opportunistic thinking, represented by their eagerness for quick success. These traits are sometimes manifested in practices such as bribery and counterfeiting.

3.5.2.3.1 Unclear boundary between work and private life

It was identified by some informants that the separation between work and private life in China is not as clear as it is in New Zealand. One New Zealand business consultant commented:

> The Chinese don't differentiate between work and private life. If the company requires you on Saturday or Sunday, or at midnight, that's part of life. Whereas New Zealand business

> culture is there are work hours, and there are personal hours. If you look at everybody, the three separate agendas that we all have − personal, family and business − in China they are described by one circle, and they all sit inside it. Whereas we have three separate circles that overlap a little bit.

This is in line with the opinion of another New Zealand senior manager, who commented on the different attitudes towards work that he observed in the two countries:

> People have a completely different attitude to work and what they have to do to earn their living. People took me to factories at various places. It absolutely blew me away that the concentration and the attitude to work − I am not being condescending or anything like that – it's just that people obviously value the fact that they've got a job, and they want to do it properly. Whereas that just doesn't happen here, in my view.

3.5.2.3.2 Inconsistency in work quality

Contrary to the attitude towards work observed by some of the informants mentioned above, some other informants noticed a tendency within various industries for workers to take shortcuts, for the purpose of 'quick success' (急功近利). As one New Zealand senior manager commented:

> There is no consistency. For a lot of sectors here, you almost have to train their people every day. You've got to train them every day. Because you say, 'Do it this way', and, okay, off they go. Next day, they will just start … taking some shortcuts, or trying to do things the other way. You don't necessarily get that level of continuity.

3.5.2.3.3 Lack of willingness to make decisions

Some informants observed a lack of willingness among employees to make decisions. A New Zealand CEO described it as one of his frustrations:

> The other frustration is that all decisions are kicked upstairs, so the president of the company is almost God. The frustration is that, therefore people don't debate or argue with the president … so in my world, I encourage people to argue.

Another New Zealand senior manager from a New Zealand-based international company also observed a difference in the willingness to make decisions among their staff in China compared to staff in New Zealand. However, Chinese staff showed that they are able and willing to make decisions as long as they are provided with the right company culture:

> I have certainly noted that there was a certain need for more direct instruction from the Chinese than potentially I would have thought from a New Zealand perspective. Some of

> the questions [are] about making decisions on even the smaller stuff that they are prepared to come and ask. But what I have found is, if you push the question back and ask for their opinion, then they would provide one, and that's been quite reassuring to me that they actually do know the answers. It's not as if they are just robotically thinking through until … 'Here is a fork in the road and [I] … have to make a decision beyond my ability to make a decision, so I defer to my boss.' But when you ask them to go back and think about it, they'll come up with a decision, and typically they are fairly accurate in terms of the way forward.… I think it's a cultural thing. I think if there was a culture which empowers them, then they are prepared to … make decisions [if] they believe that they are within the scope of responsibility, which is going to be acceptable.

3.5.2.3.4 Lack of solution-oriented thinking

Another trait displayed by some Chinese employees, as observed by some informants, was their lack of solution-oriented thinking. One New Zealand CEO explained:

> Basically, why won't these individuals make decisions, and why won't they think about solutions, rather than breeding problems? Because it's easy for everybody to walk through my door, and say, 'Look, I've got a problem.' I've been trying to say to my people, 'Well, tell me what is the opportunity [associated with] the problem, and then tell me what you think you can do to solve it.' So always bring in a solution. And that solution-oriented thinking isn't there.... One of my colleagues said, 'Look, our education system is, they talk about feeding the duck, just stuff it full of food, and it just regurgitates what you've fed it.' So there is no conceptual ability. You just get rote learning and you answer the questions, but you don't necessarily know the application, so as long as you know the theories, don't worry about the application, you just get the answer right.

3.5.2.3.5 Resistance to change

Linked to the lack of solution-oriented thinking is a resistance to change that some informants experience with their staff members. One New Zealand CEO explained:

> You open a discussion about some small change, and there are 400 reasons why you cannot do this.... There was not one suggestion about, 'That sounds like a good idea, so how are we going to do it What is the solution for implementation?' That is a *huge* frustration.... I think, primarily, it's the thought process and their style of education, and the constraint on them not wanting to step out and make a suggestion, for the fear that 'The president might think that I'm an idiot', or their colleague, who may still think that they are an idiot.

This resistance to change is also reflected in staff's quiet 'fading out' in terms of executing certain actions. As one New Zealand CEO commented:

> If there isn't a will to execute, then it will just sort of fade. It won't be a priority. I had some of that just recently, when it was settled [that] 'This is the way we are going to do a certain practice, and this is why fundamentally.' And the excuse for not implementing was that they didn't really believe that it would work, so therefore they didn't do it. They just went back and did the old way. Even though a team of six people all agreed, and it was quite explicit, and it was written down, they decided that 'No, the old way is better.'

This CEO further explained that simply asking a staff member to action something would not be a guarantee that it would be done and the results reported back, and that a follow-up was often needed:

> The other frustration is, if you ask somebody in China to do anything, well for most staff … that you must follow up. You can't expect that suddenly they'll realise that they'd been asked, and they should tell you, what the status of the play is, or where they are at. Quite often you will say, 'Okay, we are going to do this particularly thing, and set a timeframe on it.' And then you suddenly realise, two months later, you think, 'Shit, I wonder what happened to this particular issue?' It was a key issue that should have been knocked on the head. Then you go back and ask that particular individual, they may say … it was either done two days after I asked him, or 'Oh, no, I had a problem. I couldn't get it done.' But they didn't think to come to you and say, 'I hit a rock here ... What are we going to do about this? What sort of tactics?' … It just sits there, until sometime it's [surfaced] again.

3.5.2.3.6 Eagerness for quick success

The trait of having eagerness for quick success is not only exhibited by employees taking shortcuts in their workmanship. Often it is also reflected in the mentality and behaviour of business people and government officials. As observed by many informants, often these people in China will focus on achieving success within the shortest possible timeframes, represented by having monetary gains. One New Zealand business consultant commented, "There is a facet of Chinese that says, 'Look for the main chance.' Make a buck quickly and move on. Let's do it." Similarly, another New Zealand business consultant pointed out a similar trait in government officials:

> The bottom line is always cash, it's always money. Money is the underlying factor…. Take a step back. How do you move up the ranks in the Communist Party? If you are a Communist Party official, how do you move up the ranks? Through generating GDP [gross domestic

> product] growth, and tax revenue in your area…. So what's their motivation? It's money. China is all about money … the driving factor.

An Australian horticultural senior manager observed the same monetary drive in flower growers in China: "Chinese philosophy is to make money. Chinese religion is … actually money…. Why? That's why they get out of bed in the morning. I have never seen a grower yet who doesn't want to make money.

This eagerness for quick success brings particular challenges in agribusiness investments, where investment and production cycles are often long. Such challenges are particularly apparent among farmers, many of whom still farm for subsistence, as one New Zealand agricultural consultant commented:

> I think one of the things that I learned about the farmers is that you can very easily overestimate, or misinterpret, their view of the world. Their view of the world is really very, very simple. I used the word 'peasant', but I don't use the word 'peasant' in a derogatory way. That's basically what they are. The only asset that they've got is their land.... Economically they are quite deprived. At the end of the day, as soon as they start dealing with you, the only thing that they are interested in is money.... As long as you pay the money, treat them with respect, that's all they care about.

A Chinese agricultural consultant explained the challenges in doing agricultural projects in the face of such quick success mentality:

> This is an overall societal trend, because I think this is a mentality of the people in China, as the development for recent years has been too fast. This has therefore caused an expansion of self-consciousness of people, leading to many things being rushed to the finish line in China. So on the road of pursuing success, people also want quick success, because there are just so many opportunities. There are indeed many examples where quick success is achievable. Where I mean quick success, I mean where you can soon see profit, and can make a lot of money. But agricultural projects … are different from others, such as a real estate project. If you want to fatten some livestock, you can't have it happen straight away, so it needs to go through a process…. Many agricultural projects are often long-term projects, so going for a quick success may well slow the process down.[20]

[20] Original Chinese quote: 这是一个整体的社会趋势，因为我想可能这是国民的一个心态，因为这几年发展的太快了，所以它从一下的这种自我的膨胀意识，到国内现在好多东西都速成；那么它在这个追求成功的路上呢，他也希望可以速成，因为机会太多了。确实是有好多例子是可以速成。所说的速成

A Chinese senior manager also expressed her concerns about many Chinese businesses' eagerness for quick success:

> I think in China the problem of seeking instant benefit is very serious.... This is why many enterprises in China do not last.... A company like us that is older than 10 years is regarded as a company of very long history in China.... Perhaps Chinese are too eager to make money, too eager for it to come quickly.[21]

She further explained the thinking behind such quick success compared to how Europeans do things:

> When they [Europeans] do things, it must be 1, 2, 3, and 4; when we Chinese do things, step 1, then if step 2 can be omitted, I will jump straight to step 3. What's the point of then doing step 2? But it's not okay for them [Europeans, to do it this way]. I feel that when Chinese do things, as long as I can achieve this goal at the fastest speed, it does not matter what method I take. But for them [Europeans], they have formed such kind of patterns. In other words, they have formed such kind of rules. From their thinking since a very young age, they have already formed these rules. Anything I do, I must follow the rules. But for Chinese, I think many things are done [for the purpose of] a quick success.[22]

A New Zealand business consultant commented on the challenges involved in forming business relationships in the context of this kind of quick success mentality:

> This is the real issue when it comes back to agriculture, is it's all about cash right now. It's money now. You look at how most people do business deals: 'I don't care about our relationship, I care about getting as much money out of you as I can, because tomorrow is another day.' That's right now. But what you need to do is you need to find the people who are saying, 'Right, if we work together long term, we are going to have a very successful

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就是它可以很快的见效益，然后可以挣很多钱。但是农业项目它是 … 不同于其它的，比如说房地产的一个项目。这个动物你没办法给它增肥到说，我马上就见效益的，所以它需要有一个过程的。… 农业项目往往是一个长期的项目，那么你这种立竿见影的 … 效果可能往往欲速而不达。

[21] Original Chinese quote: 我觉得中国急功近利的那种思想特别严重 … 所以中国的企业，很多都是做不长 … 像我们这种 10 多年的公司，在中国已经算很长的公司了 … 可能中国人就是特别想赚钱，特别想来得快了嘛。

[22] Original Chinese quote: 他们 [欧洲人] 做事情，必须是 1、2、3、4；我们中国人做事情，第一步，如果第二步能省，我就跳到第三步了。我何必要再去做第二步呢？但是他们不行的。我觉得中国人做事情，我只要以最快的速度达到这个目的就行了，我不管采取什么东西。但是他们就是已经形成这种模式了。实际上就是说，他们已经形成规矩了。在他们从小的这个思维当中，他已经形成这个规矩了。做什么事情，我都必须按规矩办的。但是中国人呢，我就觉得很多东西急功近利。

> business'…. Are you going to find that first person straight away? I don't know. Potentially. Potentially not.

3.5.2.3.7 Bribery

One of the customs in business practices in China, as observed by many informants, is the use of bribery to "smooth the way", particularly when dealing with government officials. One New Zealand senior manager described this practice: "I've witnessed, with our second distributor, just how he operated. [It] was very much with bribes, and paying people for stuff … just completely a way that we'd never consider doing business. But that's how it was done."

Another New Zealand senior manager also shared his experience and understanding of bribery:

> I think that there are some Chinese that [are] just great to work with, and there are others, [who] might appear to be front-on good to work with, but there is always, I think, another agenda in behind that is their agenda, and often it's related to … the sort of thing that New Zealanders don't do, like…. 'We give some cash to the person if they are buying our product, or whatever.' And I am led to believe that's a relatively normal way of doing business in China, so I shouldn't be critical of it. But it's quite hard for us to work in those circumstances.

As indicated in the comments above, the practice of bribery is generally frowned upon by most informants, although some also recognise that certain gift-giving activities (and beyond) might be unavoidable. One of the informants openly admitted that "We take care of people sometimes, whether you call that bribe, or whether you call that taking care of people indirectly or directly"; and "We sell to sub-agents, who can do the 'monkey-business'."

With the clamp-down from the government on corruption, which started in May 2013, the reduced prevalence of such practices may provide a more comfortable business environment for New Zealanders. As one New Zealand senior manager commented:

> Gift giving might be seen as corrupt in New Zealand, but here it's not. It's accepted. It's the way you do business. Even underhanded … stuff, which I disagree with, but if that is the way, you have to turn a blind eye, and say, 'Well, it won't happen otherwise.'
>
> It's uncomfortable. New Zealanders feel extremely uncomfortable with it…. Maybe you have somebody you trust to deal with that, and [who] deals with it in a legitimate way. You don't go off and do something silly, like having suitcases of money, which was a silly thing to

> have done, from a New Zealand company's point of view, and you get caught. I think with the clamp-down that's going on now … we may be able to feel a bit more comfortable.

However, accompanying the clamp-down is the confusion it has brought to foreign business operators, who now wonder where the boundaries lie, as one New Zealand senior manager described:

> You get a sense now there is a real focus on the government in China itself becoming quite strict on inappropriate influence on government officials and bribery within the government system … so we are feeling our way in terms of what's appropriate…. In New Zealand, we'll go and have lunch with people we need to deal with, because we know … that's fine. In China … is it okay for us to take someone out for lunch? Would there be asking? Do we give a gift? Do we not give gifts? So it's some of those cultural things as well that we are working through.

Another New Zealand business consultant further explained the difference between 'black money' and 'grey money', and he thought it was difficult for him as well as the Chinese to differentiate the two:

> I think there is still a lot of corruption, as we would define it…. I have seen what I call corruption, but I always find it difficult to draw the line and find out where the Chinese draw the line, between grey money – okay, and black money – not okay. A Chinese once explained it to me: black money is when a company goes to an official and says 'If I pay you this money, will you give me my licence to build this … bypassing all the procedures'? But grey money is when I go to the editor of the journal and say, 'Here is 200 yuan, could you put my advertisement in a nice place in your magazine.' That's allowable. That's part of the oil that oils the wheels of commerce. But finding the line between grey and black is not always easy, even for Chinese, I think.

3.5.2.3.8 Counterfeiting

Counterfeiting can also be problematic for foreign businesses to combat in China. One New Zealand senior manager commented, "We get a lot of photos [of counterfeits] that we can plaster these walls". One New Zealand winery owner also commented:

> Counterfeiting is another problem in China. The French wine industry, Bordeaux has suffered badly. People don't trust French wine, the Bordeaux, because they don't think that they are getting the genuine product … so there is almost a criminal element that is

> destroying the development in a sensible, gradual way, [of] the distribution and sale of wine in China.

Counterfeiting, along with adulterating products to the detriment of human health, is one of the boundary-pushing activities that exist in China. One New Zealand senior manager commented, "As soon as someone makes the rule, half of the people will try to work a way to get round the rule." Another New Zealand senior manager elaborated:

> China has changed [an] enormous amount over the last 10 to 20 years, and there is an attitude among people that's outdated now, but people were sort of trying to get ahead … 20 years ago. It was around pushing the boundary to everything you possibly can, or everything you possibly can get away with to make success, to make yourself wealthy, to bring money to the family, all those sort of things. I think that pushing of the boundaries is still there to a certain extent…. In fact, that's a key characteristic among some Chinese and some Chinese businesses as well…. There is almost a hint of desperation.

3.5.3 Agribusiness environment

Along with the social and business environments that New Zealand agribusinesses find themselves operating within, there are also some other conditions that are unique to agribusinesses. This section of the thesis is dedicated to describing the characteristics of these conditions.

3.5.3.1 Legal and operational environment

3.5.3.1.1 Land tenure and availability

One of the most important assets in any agribusiness is land, particularly if the business activity involves production on the land. Farmers in China see land as being of great value to them. One New Zealand senior manager explained its importance and the origins of the current land-use right system in China:

> Land has always been the number one issue in [a] Chinese person's understanding of wealth … land and gold. Those are the two endurable things that you can build your wealth on, so the cycle that the Communist government set out to break was this cycle of landlordism, where certain families would grow massively wealthy, take over the majority of the land, and the peasants working on the farm have absolutely nothing, then have to go and work on the landlord's farm to grow the rice, get just enough to live, but virtually not enough to live, and so you have this huge rich-poor divide. So the first reform, the number one basis of the Communist Party reform was to redistribute land … they took all ownership of all the land in China, so right now nobody can actually own land. You can get various length of leases, 49 years, 79 years, 99 years, I think the longest one I've seen is 159 years,

> but never ever own the land. You only own the land-use rights, that you can use that land for a certain period.

The exact number of years that land leases are believed to be issued for in China varied among informants. However, many did agree on the absolute power the government held in changing the land-use right designation. This has been discussed in section *3.3.1.1.2 The power of the government*. Nevertheless, some informants thought that the land-use right designation for most of the rural land would simply roll over towards the end of the terms:

> [In New Zealand], the people who have the land think they own the land, and that attitude will be a hell lot of stronger here. You take the land off these people, you change the rules. Personally I think they will just roll everything [the land contract between the government and the farmers], which is what they tend to do in China. The government doesn't want any more problems with agriculture.

Contrary to the belief of many New Zealanders, the land tenure system does have some similarities to that in New Zealand, as one New Zealand senior manager pointed out:

> We will have effectively land use rights [in China] that are pretty close to almost owning the land. We can put up permanent buildings on that land. We can mortgage the land and buildings. It's almost as good as owning them.

Another New Zealand CEO also indicated that land certificates are the only securities that banks require as securities for loans: "Always land, always assets. No land certificate, no money.... If you can offer a certificate, then you can use that as a security."

According to the explanation of a New Zealand senior manager who had lived in south-west China for 9 years at the time of the interview, in rural China the land is owned by the government, which then contracts the land to the village committee for a term (for example, 30 years). It is then up to the farmer to decide what he wishes to do with it. The village committee is elected by the villagers and will be in charge of allocating the land. Each family will be allocated small parcels of good, average and poor land, to even out the fertility differences. In the case of a long-term lease of the village land, if 80 per cent of the households in the village have decided to lease the land out to a particular party, then the other 20 per cent have to follow.

When it comes to agricultural development in rural areas in particular, the contracting of land use is often directly negotiated with the village committee. As this New Zealand senior manager, who was involved with a horticultural production development at the time of the interview, explained:

> The land comes under the control of the responsibility of the township government. So that's official government representatives. But the agreement and everything [are] actually signed with a village. The final decisions are made with the village committee. So in any meetings that we had, we'd have [township] government officials, and the representatives from the village, sitting in on a meeting.

A copy of a signed land-use contract was shown to the researcher by the informant at the time of the interview. At the end of the contract all the heads of households within the village had agreed to take part in leasing the land to this horticultural production company by giving their thumb prints. In addition, in order to protect their own interests, the horticultural production company also signed a contract with the township government regarding this proposed production. In the rare case of the village committee not adhering to the land-use contract, the company would seek protection from the township government.

Apart from the complex involvement with village committees and township government in signing land-use contracts, some informants also described the difficulty of finding appropriate land for agricultural use. Having the right contacts was deemed to be essential. A New Zealand middle manager commented:

> If someone from New Zealand wanted to go over and start a farm in China, I just can't really imagine where you would start. To find the land, it's all about the contacts.... You can't just go and drive into a town and ask them, if there is available land.... It doesn't happen like that at all. You can't just go to a real estate agent to lease some land somewhere. To me, I see that is being probably the major difference as to the availability of the land.

Not all informants believed in the worth of trying to 'own' − or essentially lease − land long term in China. A New Zealand senior manager explained:

> There is no point in us … trying to own orchards here.... The land issue is so important. It's like the Māori's. Land is the last the thing the family will give up. They may live in the city, and they may have a small plot of land out in the back … somewhere. But, hey, that is their tie back to where they came from. They are not going to give it up, and particularly to give it to a foreigner. They are not going to do it, so don't bother going there.

Geographically, the vast expansion of urban areas has created challenges to finding appropriate agricultural land. A Chinese managing director, interviewed in English, commented on the increasing pressure to try to produce maize for dairy production:

> For the [maize] silage, I think that will be a really challenging part, by competing [for] the soil of the farm land.… We have to be very cautious [about] the growth in number, because the land size is really limited. They are getting smaller and smaller.

A New Zealand senior manager indicated that temperate fruit production had been moving from the east to the west of China, because the land value along the coastal strip on the east is getting very high. He also indicated that land with good access to water, for the purpose of agricultural production, is "worth a lot of money here". There was, however, another New Zealand senior manager who argued that although crop land is expensive to lease, the vast areas of grassland in China are not:

> There is a lot of grassland available in China that's not being used. It's actually 400 million hectares of grassland in China, which is a huge amount. People say there is not enough land in China for farming. There is big demand for suitable crop land. But the government categorises land as either crop land, forest land or grassland. Crop land is relatively expensive to lease, about, in fact, the same prices as to lease good land in New Zealand, but you can actually lease what they call natural grassland with very low cost, and that's what we are targeting.

There are, however, limitations on what can be grown on grassland. As a New Zealand middle manager indicated:

> On those grassland[s], you can only grow things that look like grass. Those are the government terms. For maize, you have to have designated crop land, which is a lot more expensive … it's 30 times the costs per acre.

3.5.3.1.2 Opportunities in food and agribusiness

Almost all the informants spoke of the opportunities in the food and agribusiness sector in China. "Food is the new oil, and New Zealand is [the] new Saudi Arabia", as one senior New Zealand manager commented. "Everyone wants to be in China in agribusiness", he said. Another New Zealand CEO commented: "China has two main focuses through the medium-term mark; that's food security and energy security. If you can be involved in one of those sectors, then there is a great deal of potential."

These opportunities in the food and agribusiness sector are reflected in the scale of the markets in China, as well as the opportunities, particularly those related to agri-tech. "When these things move, they move in big numbers", a New Zealand senior manager commented. Another New Zealand senior manager also commented on the scale of the market:

> I suppose the scale … you can look at the statistics and say, 'This is a big market.' Until you are there, and see a lot of things with your own eyes, you don't appreciate how potentially big it is.… I mentioned about the movement of … half billion people from poorer incomes to much better incomes, and seeing that almost in front of your eyes happening.... Just the potential, I think, really blew me away, with the potential of what could happen there.

This senior manager also commented that the real opportunity is inside China:

> China is about China. You do anything here, you've got to think about the opportunity locally, huge opportunities locally ... not for export.... Growing here in China is about producing for China, or the neighbouring countries, but not for Europe, not for North America. It just won't happen.

Not only is the scale large, but the variety of products demanded is also increasing, as one New Zealand senior manager described:

> But the Chinese market is getting much more sophisticated, demanding a lot more variety, a lot more range.... So things are changing here, and the market is becoming much more segmented, in terms of what it wants. Whereas traditionally, it probably couldn't be supplied, because the internal infrastructure didn't allow [it] … [now] products move a lot more around China. Whereas before, you take here, 15 or 20 years ago, most of Yunnan, the economic activity of a village was for a 6 km, because that's as far as they could walk to the various markets.… Now you've got these big highways connecting all around China, so it's changing significantly. And the Chinese consumer is no different than any consumer. They want something different, so they are looking for a much wider range and varieties, so the food is changing quite quickly.

When it comes to agricultural technology transfer, one New Zealand CEO spoke about the opportunities for New Zealand:

> The opportunities are huge, and they are far, far greater than working in the agri-sector in New Zealand.… Far greater. There is a lot of technology and know-how out of New Zealand that can be exploited here.

Another New Zealand CEO agreed:

> For New Zealand enterprises, we have so much knowledge. At the end of the day, there is only so much productive capacity in New Zealand, because we have a limited producing base. We've only got so much land area, so we can only supply so much. There is no way

> that New Zealand can supply anything near that China would demand and consume. But what we have done in New Zealand is that we've developed a great deal of expertise, intellectual property. So the way forward I think, in terms of growing New Zealand's wealth, is through transfer of IP, and actually extracting value out of that IP. It's limited if you are just going to do that in New Zealand from a production perspective and then export, because we've got a limited producing base, so if you want to extract the real value, establish yourself inside the market.

3.5.3.1.3 Environmental concerns in agriculture

As in other parts of the world, the environmental impact of agricultural activities has been drawing the attention of the Chinese government. Despite the publicity around the world about the many environmental issues in China, and the resulting perception that the Chinese are doing very little about protecting the environment, several informants gave a different view. For example, a New Zealand senior manager based in China commented:

> We tend to think [of] China [as having a] lack of environmental awareness and so forth, and that's incredibly incorrect. China actually has very large [high] environmental standards … the whole environmental management around being good keepers of the land, and that's certainly … always been there … that looking after the environment, looking after the land is far more important now.
>
> China is incredibly focused on the environment and getting things better, whereas perhaps, looking in, we might not agree, or we might not understand that. We look at the pollution and think, 'Does anyone care?' Actually, I believe they are hugely committed to [the] environment and trying to make things better.

As some of the informants noted, not only is the Chinese government committed to environmental protection, but farmers who work on the land also want to see it being sustainably used. One New Zealand senior manager recalled his experience at the start of a negotiation with some farmers: "One of the first things that farmers said to me was that, 'How are you going to guarantee that you give me back the land in the same condition as it is now?'." Another New Zealand senior manager had a similar view when asked if the farmers care about the environment:

> I believe farmers do. I believe it doesn't matter where you are in the world, if you have the privilege of having land, there [are] very few people who don't take that very seriously, and want to look after it for their families. Probably nowhere else in the world, the concept of

> family, handing things on, is more important than it is here [China]. So I think that's always been very important.

3.5.3.1.4 Intellectual property (IP) protection

The protection of intellectual property (IP), particularly in the area of plant varieties, is seen by many informants as a real challenge. One New Zealand senior manager spoke about his caution in taking a new fruit variety to China:

> We've just commercialised another [variety] here [in New Zealand].... Us taking that plant material into China is going to get spread throughout China, so we don't necessarily want to take our varieties into China, because we don't believe we can sufficiently control the IP. That doesn't mean to say it's not in China already. In fact, our last variety is all throughout China … because we did a small trial there, and there is budwood being sold on the internet.

An Australian senior manager had also observed a lack of understanding about intellectual property in China: "The Chinese generally don't believe in varietal rights. They don't understand it. They don't understand the PVR [plant variety rights] requirements, and they don't understand the legal issues."

This assessment of the risks involved in doing agribusiness production due to a lack of understanding of IP was not shared across all informants. One New Zealand senior manager commented:

> Most foreigners don't know how to come into China, or it's much easier for them just to say 'no', because we all know the horror stories of intellectual property in China, which from my own point of view is no worse than anywhere else in the world.

A Chinese senior manager explained how he saw the reality of maintaining IP in plant varieties: "If you want to do large-scale planting in China, fruit for example, to ... totally protect your IP, it is ... still rather problematic."[23]

When asked if farmers understand what intellectual property is, he responded:

> He might know a little bit. But who cares? If I get it, I can grow it. Actually it's not just the farmers. Government officials are the same. You have good stuff, so I want my farmers to grow it here, and make them rich, so my economy [will] be good, and my farmers' income

[23] Original Chinese quote: 如果要在中国大规模种植，比如说水果，要 … 完全保证你的知识产权的话，这一点 … 还是比较麻烦的。

[will] increase. Government officials, even if they know [that it is not right], they [will] still do it deliberately.… They mean well, just some things they [will] deliberately ignore.[24]

Another senior Chinese manager shared a similar view, and it is worth quoting at length:

In China, I think there is a big difference compared to other places, because … there are plant variety rights, brands and so on in other countries. Here in China, in terms of intellectual property, I think it is very difficult to protect.… Perhaps people are now gradually recognising the importance of intellectual property; many of these things [people have known] only since the Reform and Opening, so the length of time that we've known about intellectual properties has been relatively short. In addition, if you go and talk about intellectual property with the farmers, they find it very difficult to accept. They just think that you should give them the varieties.[25]

Every time they bring in a variety, they talk about intellectual property, they talk about protecting it.… I always feel it is very difficult to achieve. This is probably the biggest difference between us and the Western countries. Why do you think they find it difficult to do agriculture here?[26]

As for fruit, it only takes a bud to be stolen, then your variety is gone. You say you want to pursue your intellectual property rights, you want to sue them … that will take a very long time. By the time you win the law suit, that variety is already everywhere, it's already developed.[27]

Farmers in our country are unlike farmers overseas, [who have] been through [a] very good education. Farmers in our country, you can probably say that they are of the lowest quality. You talk about intellectual property with them, they don't even know what intellectual property is, how can you then promote it?.... All he hears is that [there is] good [stuff]

[24] Original Chinese quote: 他可能知道一点点，但是我管你呢，我拿到了，我种出来就是了。其实不只是农民，政府官员他也是，你这东西好，我就想让我这里的农民种，让他们发财。我经济好了，我的农户收入增高了，政府官员，他是知道他也故意要把它这么干的 … 他们出发点是好的，只不过有些东西他故意不去考虑的。

[25] Original Chinese quote: 在中国嘛，我觉得它跟国外有很大的差别，因为 … 国外它存在这个育种者的权利呀，品牌，等等一系列的问题。在我们中国，就知识产权来说，我觉得很难保护的 … 现在可能大家逐步在认识这个知识产权的重要性；很多东西是改革开发以来，接触知识产权这个东西还比较短了。而且你跟农民来讲知识产权的话，他很难接受的。他就觉得你就是应该把品种给他。

[26] Original Chinese quote: 他们一拿品种进来，一跟我谈知识产权，要保护呀 … 我就觉得很难做到的。这个就是我们跟西方国家的可能的最大的分歧就在这里。为什么他们进来做，很难做农业？

[27] Original Chinese quote: 水果的话，只要一个芽被偷掉，你这个品就丧失了吗。你说你要去追究知识产权，我要去打官司 … 这很漫长的事情。等你打赢官司了，那个已经铺天盖地了，已经发展了。

somewhere, and he will go and steal it. It's very simple, and you cannot avoid it. Unless it's F1 seeds[28], every year only F1 seeds, then you can control it. Things like our fruit trees, there will be a lot more trouble.... Not only farmers, some of the researchers.... Whoa, this variety of yours looks good, he comes and cuts a branch off, and you would never know. It can be spread out very quickly through grafting. Very quick. Three years, it will be everywhere.[29]

Unless you can control the final sales, and extract your profit from the sales profit, and return it to the breeder, that is the only way. But if you are selling it in China, it still wouldn't work, so unless you export it.... If they do it in China, it is impossible to protect intellectual property, even though our country, our government, is trying hard to do these things − the government is making a very big effort in protecting intellectual property. But because China is a big agricultural country after all, you go and reason this with the farmers, I think it's very difficult.[30]

Despite the great difficulties that many informants believe China presents in terms of intellectual property, one New Zealand CEO suggested that the only way to protect intellectual property is to stay "ahead of the bunch", particularly inside the market:

There is risk for IP to be stolen in New Zealand. You don't have to go to China to have your IP stolen. You can just stay at home to have your IP stolen. At the end of the day − this is my personal view − the biggest challenge for the protection of IP for people is, if you think you can sit on your IP and do nothing with it, that's when it's going to get stolen. Because in the absence of you taking something to the market, like anything, there will be a vacuum for it, there is a vacuum for the demand. If you don't provide your IP into that space, someone is going to fill that space. And if they can't develop their own IP to go into that space, they will take your IP and modify it, and then fill that space.... There [are] very few form[s] of IP that

[28] F1 seeds are from first generation crossbreeds, which are either infertile or produce uneven offspring.
[29] Original Chinese quote: 我们国家的农民，不像国外的农民，他都是经过高等教育啊，受过很好的教育。我们国家的农民，可以说素质是最低的。你跟他讲知识产权，他都不知道什么是知识产权，你怎么去推广知识产权？… 他就是听到哪里 [有] 好 [东西]，他就把你的偷掉了，这个很简单，你根本防不胜防的。除非你是第一代种子，每年都是第一代，那个可以控制。像我们果树这种的，就很麻烦了 … 不光是农民，有的做科研的 … 哦，你这个品好了，他把你剪掉一枝，你根本不知道的。一嫁接就马上可以传出去了。很快，三年就可以铺天盖地的出来了。
[30] Original Chinese quote: 除非你能够控制销售末端，你从销售的那个利润当中来提取一部分利润，来返回给这个育种家，这个可能是唯一能够行得通的。但是如果我在中国卖那你也没办法，除非你出口。… 他们在中国做，他不可能保护知识产权，虽然说我们国家现在，政府是在努力做这摊事情，政府也花很大很大的力气在保护知识产权。但是因为中国毕竟是农业大国，你去跟农民讲这个道理，我觉得很难的。

> can't be replicated, so the best way to protect your IP is to get to your market as quickly as possible, is to commercialise your IP as quickly, and as efficiently, as possible, and get it out there, and then continue to be innovative, and develop your IP further, so that you are ahead of the bunch. That's easier said than done, because it's not easy. Commercialising IP is very, very difficult. But commercialising IP inside the market is much easier than commercialising IP from outside the market. Much easier, much quicker. You have that competitive advantage of getting to market earlier, getting to market more efficiently. Being inside the market means that you can reach more of the market more quickly. And then, you continue to be innovative around your IP, so that everyone coming in is following you. They are chasers, and you are the leader. That's a mind-set in itself.

Another New Zealand senior manager looked at it from a different angle again, emphasising that the actual intellectual property is the relationships that one has. He explained this while describing the strategy of setting up a demonstration orchard to encourage more production from neighbouring farmers for future fruit procurement:

> What you do is you have a demonstration orchard … and you put all of the technologies, the yield is better, or whatever … you put those all in there.… Some of this will be taken, and you don't worry that's your IP, because your IP is in fact your relationship. That's your IP. Nice and easy relationship, not the physical things, or the intellectual things. It's actually the business relationship that's your IP. That's your value. An idea is no benefit until it's actually implemented. That's when it's beneficial and valuable. There is no point having it in a book – waste of time. It's okay for your ego so that you can have a look at it every now and again, and somebody else reading it. But when it comes down to practical things, it's actually the use of that information, that's when the value comes.

3.5.3.1.5 Rural labour

One of the key components for agribusiness investments in China is rural labour. Both local and foreign entrepreneurs face the same challenges created by the characteristics of rural labour in China. According to the informants, overall the rural labour force in China is ageing, with young people exiting farming. The cost of rural labour has significantly increased over the past decades, partly to cover social welfare costs. Nevertheless, people in rural villages do not generally receive the same level of medical care as those in the towns and cities, which drives a more pronounced quick success attitude in order to survive. Nevertheless, informants commended the high level of farming skills that many Chinese rural people possess.

3.5.3.1.5.1 Ageing population in farming

One New Zealand CEO shared his observation of the ageing population in farming in China:

> Farmers have more children than the city people[31]. But a lot of those young kids have some sort of education, and they don't really want to work in the field. They want to enter the city and get an iPhone, smart suit … so there is a big drain of young kids out of the countryside.… I look out of my window now, and everybody is sort of in their young 30s, late 20s, almost everyone, but in the country, it's the reverse, and everybody is over 60. I think in the future we will struggle in China to maintain workers who want to work the land, and that's not unusual in any country.

Another New Zealand middle manager observed the same thing when he spent a few months in a rural town in northern China:

> One of the big things that farmers talked about was what would happen in the next generation, because their children … the local high school was out of town, so they'd moved out of town for high school, and then most of them would go to university, and they wouldn't come back to the farm after that. There [were] very few young people of my age in the town … very few. There were heaps of children, heaps of older people. But [those] at my age, they had gone to … high school, out of the town, normally gone to university, and they wanted to live in the cities, and they didn't really want to come back.

A Chinese senior manager described the same phenomenon, which she had observed in southwest China: "Basically, nowadays in rural villages, the young and the male[s] have all gone. Those who are actually left behind in the field are all women and the elderly.[32]

A New Zealand senior manager commented that one of the goals of the agricultural development projects he was involved with was to try to attract young people back to farming:

> Another thing which people are keen to see … happen is to try to keep the kids, make agriculture an attractive option again, rather than everybody leaving at the moment, which is not good for China … so … we are going to … look at training and new development, and offering new career path[s] for younger people out of the township and village.

[31] The One Child Policy was seldom enforced in rural China.

[32] Original Chinese quote: 基本上现在农村，年青人，男的，基本上都出来了，实际上真正留在田里面、地里面的，都是妇女跟老人。

3.5.3.1.5.2 Increased labour costs and inadequate health care

One New Zealand senior manager estimated that there is an on-cost[33] of 42 per cent for every permanent employee of an agribusiness firm, in order to cover other social welfare costs for the employee. This on-cost is also based on a significantly increased labour costs. One Chinese senior manager said that 10 years ago a labour unit would cost 15 to 20 RMB per day, whereas at the time of the interview a male worker was expected to be paid about 150 RMB per day, and a female worker about 120 RMB per day. She also indicated that the farmers who worked for her did not regard themselves as farmers anymore, because they no longer worked on their own land. Rather, they were employees of this entrepreneur, and therefore deserved better pay, as if they were working in the cities.

The significantly increased labour costs are, however, still regarded as relatively low compared to New Zealand, making efficiency less of a focus compared to New Zealand, as one New Zealand senior manager explained:

> Agriculturally, because of our economy, we are very focused on efficiencies, and one of the greatest efficiencies that we look for is labour. In here it doesn't count. It doesn't matter. The cost of labour *has* gone up. When I first started here, we were paying 20 RMB a day, now we are paying probably 100 RMB. But think about it: $20 [NZD], it's nothing, so efficiency will be more of an issue. When I was setting up the packhouse, I used to go nuts, until I realised I was going crazy over 10 cents a carton. It wasn't worth it. Get more people.

In addition, despite the significant on-cost, it was pointed out by two Chinese informants that the level of health care provided for rural farmers is far from satisfactory. According to them, a government official would have all medical expenses covered by health insurance, but for a rural villager, only treatments that involve hospitalisation are eligible for claims against health insurance. Furthermore, depending on the grade of the hospital a villager chooses to go to, only 50 to 70 per cent of the expenses incurred during hospitalisation will be covered by health insurance. The villager still needs to front up the other 30 to 50 per cent of the costs, and any other costs of treatments that do not involve hospitalisation.

The inadequate health care system available to rural farmers has meant that the mentality of survival and quick success remains alive and well in the rural community. This has been discussed in section *3.4.1.2.4.1 Survival*. For a foreign agribusiness operating in China, it is therefore very important to ensure that all measures are taken to minimise health and safety issues, as one New

[33] An overhead expense.

Zealand senior manager pointed out:

> There is quite a focus on health and safety. But the other thing is that if you do have an accident, again, as a foreign company, you are under the gun…. With people here in the countryside, health is a major issue. If you get sick, it will ruin you, or if you get injured. That's why you've got to be really careful, because any small issue, you will have to claim [insurance], or they [farmers] will be putting pressure on you, because they can't afford to [get sick].

3.5.3.1.5.3 Skilled and motivated farmers

For those who are on the land, the skills and motivation to farm well are undeniable, according to the observations of some informants. One New Zealand senior manager commented:

> To the land and the agribusiness … one of the first recognitions that people need to understand is that you can't teach the Chinese farmer much about growing things – most brilliant farmers in the world. Okay, you've got a bit of pesticides … and that's maybe training about how to deal with things in a different way. But in terms of when the Chinese farmer is inspired to grow something, they grow it very, very well. There is a great motivation to do a good job, in terms of producing stuff, whether it's growing pigs, whether it's growing vegetables, or whatever…. For a New Zealand company to come, and think that, for example … let's come and teach the Chinese people how to grow kiwifruit. Bollocks! Can't do it…. This whole concept of 'Let's go and own vast orchards of kiwifruit, vast orchards of apples', or whatever it is, is not going to work. You have to be able to tap into the strength of China, which is inspiring people who have got very, very little, and give them an opportunity to grow something that can make them money, and lift their family out of poverty.

3.5.3.1.6 Disconnection between science and farming

Some of the informants noted that what is being researched in science, particularly the agricultural sciences, in China is not always closely linked to the actually practices in farming. Many scientists focus on the number of publications they produce rather than the practical implications of their research. A New Zealand agricultural consultant talked about a grassland scientist in Guizhou, who, he believes, is very practical, and the farms are performing well under his guidance. Yet other scientists from other provinces told this New Zealand consultant that "He doesn't publish very much", or "He is working on applied stuff, he is not doing real science". As this consultant commented:

> Science organisations are often quite separate from the implementation agencies, and there is a lot of guarding your territory going on. That's one aspect of it. The second is, the scientists, in many cases I think, are very academic in their approach and their thinking, and less focused on developing practical outcomes. They are really focused on achieving the academic outcomes…. I think it's for the recognition…. There is kind of a snobbery. I guess people's own measure, or institutions' measures, of academic success are papers published in English-language journals … so there is a lot of really good science being done, but it's disconnected from the science needs at the farm level or a county level.

This disconnection between science and actual farming needs is also reflected in the eagerness for quick success among scientists, as one Chinese agricultural consultant pointed out:

> Science and research in China [are] seriously disconnected [from] the practical implications. Science should not be inside the ivory tower; it should direct production, and then your science and research would have *life*. But now, because a scientist needs to publish papers, … he needs to hurry it along. Consequently, it is possible that a lot of data have not been collected [and analysed] for 3 years. 'I can't wait for 3 years. Promotion is next year, and I want to get into a senior position, so I need to publish the paper this year.' His data therefore are not [collected and analysed] from a practical perspective, and hence [do] not [create] the close connection between research institutions and the farmers. This is a serious problem in China.[34]

This disconnection between science and farming extends to a disconnection between extension workers, or farm technicians, and the farmers. One New Zealand agricultural consultant described how the technicians in Inner Mongolia used to go to the local villages for 3 days at a time, summon the farmers to the local school, then read out new technologies from a book to them. In contrast, he said that in New Zealand, technicians always go to show the farmers how to do things in the field, and get farmers to talk among themselves. Or they choose a farmer to demonstrate to other farmers. He went on to say:

> There is a common view among the extension [workers], they are called technicians in China, who are mostly city people, and they get to be technicians because they passed the

[34] Original Chinese quote: 国内的科研和实际严重的脱节。科研不是说是象牙塔里的科研，你要指导生产。你这样的科研才会是一个有生命力的科研。但是现在因为他要发文章，所以呢他要把他搞得很快。这样就变得呢他更多的数据呢，可能也没有说要做三年。'我三年的时间我等不了，我晋级马上明年的事，就要评高级职称啦，这个文章今年就要发了。' 所以他的这个数据没有一个从实际的角度出发 [来收集和分析]，所以也没有 [形成] 科研机构和农户之间的一个很紧密的联系。国内这个问题很严重。

> exam to get [into] university and it's harder for the country people to do that … you often hear them saying that 'Oh, the farmers are dumb, and they don't do what we've asked them to do.' But they fail to understand that farmer make decisions for all sorts of reasons. There is either a high risk about the technology that the technician might be wanting to take to the farmer, or [it] might be cash up front, which the families just don't have, to make investments in seed or fertiliser, or there may be major health issues.

Another characteristic of operating in agribusiness that was identified by some informants again reflects the disconnection between science and farming: technicians lack practical skills. One New Zealand senior manager explained:

> We've been very successful at recruiting graduates out of the agricultural universities, and vet universities, and we put them on basically an internship programme, so that we are seeing where their core skills are, and then helping them develop. Often they've got incredibly good knowledge, but absolutely no practical. That's the bit that we need to resolve. Literally, you have qualified vets who've never touched an animal.

3.5.3.2 Social environment

Coexisting with the legal and operational environments is the social environment that agribusinesses find themselves operating within. According to comments made by the informants, New Zealand enjoys a good reputation in China because of the 'three firsts' (see below) and its integrity in food safety and quality. "As New Zealanders, we are incredibly lucky, we are incredibly highly regarded in China, and I think that makes it a lot easier to have doors open to build relationships", a New Zealand senior manager commented. China, however, does not receive the same level of favouritism in New Zealand.

3.5.3.2.1 New Zealand's four firsts

New Zealand is often favourably thought of as a country by the Chinese, and this is related to the 'four firsts' that New Zealand has achieved, according to some informants. The four firsts refer to: New Zealand was the first country to agree to China's accession to the World Trade Organisation (WTO) by concluding the bilateral negotiations component of that process in 1997; New Zealand was the first developed country to recognise China as a market economy; New Zealand was the first developed country to commence Free Trade Agreement negotiations with China, which was launched in November 2004; and in April 2008, New Zealand was the first country to successfully conclude a Free Trade Agreement negotiation with China (New Zealand Ministry of Foreign Affairs

& Trade, 2016)[35].

Of the four firsts, the latest receives the most recognition and has the biggest implication in the business context. A New Zealand district mayor commented:

> I think some of the best things are around our big first. What Rewi Alley did and all those sort of things, Chinese people have great reverence for that. That we signed the Free Trade Agreement first … and the fact that we spend, in my view, quite a lot of effort, trying to maintain relationships with China, for the size of our country, I think that's recognised as well.
>
> I think at the moment they hugely respect us, because we are the first country that signed a Free Trade Agreement. And I know they will be signing others, and may well have signed others since. When I go around, they say, 'Yeah, we know. New Zealand, the first one!' The fact that we were first is significant. We are treated as a non-threatening country. We are not the United States. We are not considered as colonial like the UK. Similar to Australia, although they are more reliant on Australia than they are on New Zealand, because of the minerals…. But they value us. We are a small place, but we've got a stable system in the government; we've been there right from the beginning; we were prepared to take a risk on our relationship with China, and I think they respect us for that. It is a good thing…. Most Chinese know where New Zealand is. They might not know where anything else is. They know where New Zealand is, and they generally have a nice impression of New Zealand.

Another New Zealand senior manager also viewed this first as a great advantage:

> The fact that our government worked hard to become the first partner in a free trade agreement with China, in reality, there are many Chinese [who] know and understand that. I think we get recognition for that, the fact that we worked hard to make it happen. By 2016 [tariffs] will be down to zero. That will give us significant trading advantage.

3.5.3.2.2 New Zealand's integrity in food safety and quality

Despite the number of incidents in recent years regarding food safety issues involving New Zealand, this country remains highly regarded for its integrity in ensuring the highest food safety and quality standards. One New Zealand senior manager explained: "I was told … that Norway and New Zealand were the two countries that they valued in terms of food integrity…. Things that we do

[35] In 2015, New Zealand was also known to be the first Western country to join China's Asian Infrastructure Investment Bank (AIIB) (Rutherford, 2015), and this is referred to as the 'fifth first' by some people.

with our food, and the processes and so on."

Informants also commented that the recent food safety incidents had generally played in New Zealand's favour. One New Zealand senior manager spoke about the outcomes of the melamine scandal in 2008:

> We dreaded it [the consequence of the scandal], because we thought it might have been negative, but it was actually positive. It was the fact that New Zealand was the whistle blower in the melamine scare of Fonterra. New Zealand is seen as clean, green, natural, safe, [and] fresh. The fact that New Zealand put itself out, went to the Chinese government, said, 'You've got a problem. You will need to fix this,' particularly when young babies are involved and things, only strengthened New Zealand's reputation.

A New Zealand business consultant shared what he saw as the result of the botulism scare in late 2013:

> When I look at the scare of what happened with Fonterra and botulism … and things that were going on in the media…. Well that's fine. It still doesn't change New Zealand's position, because if you take a dairy farm here in China, and a dairy farm in New Zealand, you take the photos of the two, you show it to the consumer, what are they going to think? It's chalk and cheese…. My thinking is that everything is a product of their environment…. So we are still in a good position, we just need to adjust our positioning, and it's call transparency, and it's called, 'We've got nothing to hide.'

A New Zealand senior manager also thought that this incident did no harm to New Zealand's reputation:

> They talk about New Zealand losing traction in China because of the scares. But actually, when you talk to a consumers in China, they don't see it that way. They see it completely the opposite, that New Zealand is the only one says, 'Shit, we got it wrong. Even though we might have been a bit late, but we don't care about that.' They just say, 'Look, we trust New Zealand, and it's like having an old friend, and New Zealand is an old friend. So, yeah, okay, you might have stubbed your toe, but we originally trusted you, and that trust has not been destroyed by this one little blip.'

Another New Zealand senior manager shared his thoughts on the positive future of agribusiness trading between the two countries due to New Zealand's good reputation for food safety and quality, and the close relationship the two countries have politically, despite the recent incidents:

> I think our reputation is good, regardless of the issues that we had over the last couple of years. Fonterra issues, botulism and Sanlu [melamine scandal], the meat issue and Zespri issue, I guess, are the current ones.… In the circles that we are mixing, [New Zealand] food quality, food safety are still at the top, from the Chinese perspective, so I think that they are engaging with people that they genuinely want to be doing business with, so doors are immediately open. Politically, we know that New Zealand and China have … a close relationship that neither party wants to compromise. We are so reliant on them as a market. They are so reliant on us as a supplier. Plus I think there are other political issues [in which] we've been proactively positive, so we do have a good relationship. I think that's been positive.

3.5.3.2.3 Food safety concerns

Food safety concerns are at the forefront for many Chinese people, which in turn gives New Zealand a unique position for the sale of its food products into China because of its integrity in terms of food safety and quality, as mentioned above. A New Zealand business consultant commented:

> For Chinese people, they know the air is polluted, they know the water is polluted, they know the foods are polluted in China. They all know that. What can they control? They can't control the air. They can't control the water, and the food. If you get your story and your product in front of the right people, and it's all traceability, all that jazz, the price point is irrelevant. They don't care. They don't care at all. 'How much is that?' 'It's a hundred bucks a kilo.' Bang! 'I don't care. I will take that, and I will take it every week.'

A senior manager from a New Zealand dairy company spoke about her humbling experience when recruiting Chinese staff:

> It's very, very humbling when you are interviewing someone for a job, and they say that they want to work for you, because you are making safe milk, which will keep our babies safe. When people actually say that out loud, as Kiwis, we are not used to that, and just assume that everything is safe.

Contrary to New Zealand's good reputation on food safety, as observed by some of the informants, some of the food safety practices in China were seen as far from desirable. One New Zealand senior manager commented:

> They will have a massive food poison happening one day, I am sure, because you can't just keep getting away [with it]. It makes a mockery [of] how tough they are with our processes,

> on our hygiene standards and things, when it's so hypocritical when you look at [their] own. We were just about dry retching going through some of those plants.... It's all about cutting the costs.

Another couple of New Zealand senior managers spoke about the challenges faced in procuring safe fruit in China due to these less satisfactory food safety practices:

> Food safety is certainly a big challenge for us.... There is a real tension there.... The issue around food safety and sprays and those sort[s] of things, and counterfeit, arguably, at the system farm level is rife, because those people [farmers] are earning[a] very small amount of money. Anything they can do to add to their income, or stretch it further, they are going to do. At the basic level, people would be putting whatever they can on the fruit to get more … production, or better size, or whatever. They were subsistence.
>
> I know for us, it's to be able to be a change agent for managing food production in a natural way, using science, technology and some standard good practices, and that's probably our single biggest challenge … procuring what we consider verifiable, safe food in China for supplying to major international supermarkets in China.

These food safety concerns are often magnified when issues related to infant formula come under the spotlight. A New Zealand district mayor shared his concerns for New Zealand's future trading with China on food products after the botulism scare happened in late 2013:

> They [the Chinese] generally have a nice impression of New Zealand. This milk scare type of thing doesn't help, but generally they have a good impression of New Zealand, clean, green, not many people, beautiful, that type of thing, safe, healthy, wholesome type of food.... I am just mortified by what has just happened with the milk powder last week [botulism scare].... What happened last week is very serious for us.... I don't think that we can keep doing that. I think if something big like this happens again, the New Zealand milk powder industry may not recover from it. Chinese people have gone to foreign powders because they consider them safe. It is not like buying a kiwifruit. You've got a child. The child needs formula. The child is the most beautiful bundle of joy in a person's life. They will do anything to guarantee his or her safety. So the emotional connections that go with the safety of milk powder are much more heightened than if it was tomatoes that [have] residues on them. So I think we should not underestimate the significance about what just happened. I think we can recover, but if it happens again, I am not sure we can.

To address these food safety concerns the Chinese government have also strengthened their rules

and regulation. One New Zealand CEO commented:

> China has become more stringent in their requirements. A lot of that unfortunately has come out of the food scare with Fonterra and things. The government in China has taken more of an interest in food safety requirements, and that's starting to reflect in some of their regulations. So it's got tougher.

3.5.3.2.4 Some New Zealanders' prejudice towards China and Chinese people

In contrast to the good reputation that New Zealand and New Zealanders enjoy in China, China and Chinese people are not always thought of favourably by New Zealanders, as some informants observed, particularly when it comes to Chinese investment in New Zealand. One New Zealand business consultant commented:

> There is a large, unwashed population of New Zealand that is suspicious of, fearful of, and antipathetic towards all strangers and foreigners. We don't welcome Chinese buying Crafar farms, we don't like the ideas of Chinese buying into Fonterra, if they ever did. We don't like the idea of Yashili[36] building a milk plant here. We think somehow they are going to steal something. So getting over that level of prejudice … I think it is prejudice, I think there is a huge subset of people in New Zealand who … there is a racist attitude there at so many levels, particularly on the left of the spectrum, in my view.

A New Zealand district mayor also observed this prejudice within his community:

> I think there is an inherent, still, an inherent racism in New Zealand against China, Chinese people … and I think that's transferred from what might have been unknown. We don't know, we haven't been to China. It's a huge country that is under Communist control. It used to be that. Now I think the racist element is coming because people are scared by the growing middle and upper class in China, the wealth of them and their ability to buy. That's what I think [it] has been transferred to now.… I think there is still an element of that. I detect it in [my district], even though we've had a 30-year relationship. I just ignore it, or push it aside, because I found Chinese people being fantastic here, very trustworthy, hardworking, never cause any problems, just want to get on and succeed, which is great. But there is a … great unwashed ignorant type of people … who are a bit jealous of some of their success.

New Zealand media, as perceived by some informants, are often negative about China and the

[36] A Chinese infant formula and soy product company.

Chinese way of doing things, and such negativity is not always justified. One New Zealand senior manager pointed out:

> One thing that I think we've learned is that what we hear in the media in New Zealand and what's gone wrong in China is always the Chinese fault, and the complexity of the Chinese system. Whereas the reality that we've seen is that it's [as] much of the fault of the people trying to interact, be they government or commercial, from New Zealand, who have screwed up somehow, made errors, which the Chinese [then] reacted to in their own way. But the fault … is not something which is deliberately created. The example of the meat export, one that we are constantly reminded of, is that that could have been solved in New Zealand long ago if the New Zealanders had been more effective in terms of their own systems, and in their own relationships up in China … when the problem did arise. So the Chinese, at the end of the day, were just doing what they kind of have to do.
>
> Media has always … portrayed that this has been a problem in China, the Chinese system is too complex, you never quite know who you are dealing with, or what you are dealing with, so that means that every so often things just go wrong and you won't know why. Well, in that case [the meat case], they did know why, and they should know why, and they should have been able to fix it from New Zealand.

3.5.4 Challenges for New Zealand agribusinesses

"China is still an agrarian economy", a New Zealand CEO commented at the interview. Within this economy, ventures in the agribusiness and food sector are confronted by some challenges that are unique to this sector. These challenges − some of which are perceived as risks by some informants − come from "the nature of the product, and the sensitive politics element of it", as one New Zealand senior manager described it. This section of the thesis is dedicated to discussing these unique challenges faced by New Zealand agribusinesses, as perceived by the informants of this research, from the legal and operational perspectives, and from a cultural perspective.

3.5.4.1 Legal and operational challenges

Various challenges were identified by informants for agribusinesses operating in China. Some of these challenges were believed to be unique to China, and some were not.

3.5.4.1.1 Lengthy timeframe required

One of the overwhelming messages coming from the informants was the lengthy timeframe that it required to make progress in business ventures in China. One New Zealand senior manager commented: "Timeframes − things take so much longer to be done here [in China]. We have a very direct approach to things, [whereas the] Chinese are going round and round and round, so you have

to be incredibly patient." Informants talked specifically about the lengthy timeframes required to build trusting business relationships, as well as to make progress on business transactions.

3.5.4.1.1.1 Lengthy timeframe to develop trusting business relationships

One New Zealand senior manager explained that:

> Business partner[-ship] is about trust, and that takes a long time to build. So you now know where the boundaries of theirs are, and what they are looking for, and likewise, they look to you to find out where your boundary is and what you are looking for.

Indeed, as indicated by many informants, trusting business relationships take time to develop. The basis of such lengthy timeframes, informants said, was that no one should be trusted when entering the Chinese market until they have proven trustworthy. One New Zealand CEO commented:

> China is not the place to rush into, and setting up structures too early. You've got to walk before you run, you've got to do your homework. You should do the basic things right, start very small, and don't trust anybody. That's a harsh thing for New Zealand to understand. But work on that principle from day one. It's terrible, but even if you are very close, and you developed this relationship, just don't trust anybody…. You shouldn't trust anybody for at least 5 years. And that's a terrible thing to say. For New Zealanders, we are so naïve, we believe pretty much everything everybody says must be right. That isn't the case with a large chunk of the way we do business in China. So don't trust anybody, take 5 years. Take double the time you'd [expect for] anything else.

Another New Zealand senior manager also said that time is the essence, when asked what was required to build a trusting business relationship:

> Time. Literally time. You literally have to spend time … all of us here, the long-term people, they just repeat over and over again. Boots on the ground, time spent in China. You cannot do deals by flying backwards and forwards from New Zealand to China. You have got to get right inside the whole operation of that, where you are on a proper friendship basis.
>
> Let's say that you seriously want to do business with China, and your company says, 'We have made a strategic decision to come to China.' That's a really important decision in itself, because for you to make that decision, you have also got to accept 'I am going to financially support my entry to China for as long as it takes.' And it might take 10 years…. So if you

> think that you can jump into China and in 6 months or 1 year build a successful business, you are dreaming. You are absolutely dreaming.

A New Zealand middle manager also observed some practical challenges in building relationships: "Relationships aren't built on their own. It takes months and months of dinners and banquets and drinking, which isn't always easy." Another New Zealand mid-level manager, who visited China for the first time and was assigned to do some plant trials in a certain area by his senior management, shared what he learned from his Chinese helper:

> The comment that James [pseudonym] made to me, he felt that, one of the main differences was that the Chinese like to spend their time building a relationship. He said that it wouldn't be unusual for me to go there, and spend the summer there, and not do the trial at all, just be there, communicate with the local government, go out for dinner with them, have a look around the town, and build the relationship. Then come back next year, and put the trial in then. He said that that wouldn't have been unusual. Whereas I turned up there, met them, a week later I was asking 'How do I cultivate the land?' and 'How do I do this?' He sort of felt that I was rushing things.

3.5.4.1.1.2 Lengthy timeframe for business transactions

"I think China moves at an incredible pace, once you understand how to make it move. If you don't understand how to make it move, then it seems to be incredibly slow. But that's generally a lack of understanding as to what's important", one New Zealand senior manager commented. A New Zealand business consultant believed that things moved slowly until the decision maker was convinced of the 'right move':

> In China, everything moves so slowly until you get to the decision maker. You get access to this guy? You go and see him.… I am looking at doing some deals coming back into New Zealand for products out of China … and we want funding for about 100 million dollars. No problem at all. Absolutely no problem. Go talk to the right guy. Money is no issue, if you talk to the right guy.

There is an apparent contradiction whereby, on the one hand, China, as a whole, and Chinese business development are progressing at a high speed, yet, on the other hand, business people encounter painstakingly slow progress when it comes to making progress in business transactions. A New Zealand district mayor shared his impression of dealing with Chinese business people who were considering investing in New Zealand:

> Things … I found take quite a long time. They [the Chinese]'ll come back and have a concept, and they are still thinking about it in 6 months' time, and they'll come back and we will talk about it, to take it to the next stage, rather than next week.

For New Zealanders who are venturing into China it also takes time to achieve certain business goals, as one New Zealand middle manager noted:

> You've just got to be patient, which would be another main thing. Things don't happen overnight. As they say, in New Zealand, you can register a company in 10 minutes or something, here it takes 5 or 6 months. Constant need of things … documents … nothing black and white, a lot of grey area.

The existence of the 'grey economy', as explained in *3.2.4 The grey economy*, functions as the lubricant in business transactions for moving things along. For those who decide against engaging in the activities of this economy, business transactions can take much longer. As one New Zealand CEO explained:

> I think … our company has a policy not to be engaged in such things, and that's caused us more than a fair share of strife and hold-ups. But … it's systemic, and to change systemic grey marking, it's alright if you can find politicians that might need products, but to actually get to the bottom of some of these other small transactions which [is] where gate keepers are involved, that's a far more systemic issue.… The big thing is that I think that foreign companies find it very slow, sometimes unproductive, and some of them give up mainly because of that whole thing, because it's just so difficult for them to transact in China.

3.5.4.1.2 Biological and environmental challenges

Unique to the food and agribusiness sector is the influence of biological and environmental constraints during production, which are largely uncontrollable. Informants identified this as one of the challenges in operating agribusiness firms in China. One New Zealand agricultural consultant explained this as follows:

> If you've got to supply … [a] manufacturer something, it's relatively easy to set the specifications, put a quality management protocol in place, and decide what you are going to do if quality isn't being achieved, and have very rigorous specifications. In agribusiness, it kind of depends on what the product is, what level of specifications. If you are running a feed mill to produce compound feed, it would be very simple to write specifications about the quality of the feed, the protein, the energy, the … whatever coming out, because you have a defined product. When it gets to growing animals or supplying animals … it's a lot

> harder to control. You've got a lot more environmental influences that require decision making to be changed weekly, just as any decision making on a farm … it's drier than expected weather, what do we change to cope with that? That's quite different from having [computer] chips coming out of machine, so it's a lot more complex system that requires interaction.
>
> [It is a matter of] understanding … the partner's ability to make decisions, to cope with [the] changing climate, changing weather, which then means how hands-on do you have to be. I think there is something to be said for a New Zealand company having some people at least very hands-on, on the farms, at least in a technical capacity, and helping with those decisions on a daily basis. That's one issue that Jason [pseudonym] got to sort out, because he can't be living in Shanghai, and the farm is 2000 km away, which means that things happen, and you only learn about it later.

The biological and environmental constraints are not only limited to the production phase. Product deterioration can occur during transport, post-production. One New Zealand CEO spoke about the challenges involved in exporting chilled meat into China:

> It is not possible yet to trade … chilled meat in China, because they haven't got the sophistication for the temperature control. They just haven't got the infrastructure. They haven't got the holding cold stores. They haven't got the transport vehicles designed for chilled [meat]. And it's a vast country, so distances become a problem. With chilled [meat], product has got to be stored at zero plus or minus a half degree. It's very, very strict. And if it goes out, then you would get deterioration very quickly, so it's a vulnerable product. That's just a reflection on the size of the country and the lack of infrastructure. Not so much for frozen, because when it's frozen, it's frozen. But having said that, I am pretty sure that when it gets to near the end of the supply chain, it will be thrown in vans without any temperature controls, or on bikes, somewhere along the line. But because it's frozen, it hasn't become an issue. So there is always that risk. Just the vastness of the country, and the necessary infrastructure.

Similarly, in the distribution process of wine, temperature control is important for maintaining the quality of the wine. One New Zealand winery owner spoke about the contention that could emerge if the temperature control was not satisfactory during transport and distribution:

> White wines, you can't sell them for any long period of time. They really need to be sold, depending on which wine, within a few years or so. But also the way it's handled in the

> country, because wine does not like extreme temperatures. It doesn't like to be in the very hot temperatures, so the distribution network and the handling of the product are very important in the market.... If the product was not handled properly … and the quality went down because of that, and further down a distributor in a city or something, or someone who is dealing with the wine said, 'This wine is not very good quality', and that's pointed [out] back to the producer, then it's going to start causing problems…. That could be an area of contention…. Of course in China with some of the heat that you get over there, it needs to be considered. I mean China … does have its extremes in temperatures.

The biological and environmental challenges are also reflected in the management of food safety issues, particularly at the border of entry. One New Zealand CEO explained why he and his business partner decided not to be in the business of importing food and beverage from New Zealand into China after discussing the incident of New Zealand meat being held up at the Chinese border in May 2013, and the subsequent lawsuit between Danone (a French dairy company) and Fonterra after the botulism scare in August 2013:

> Imagine if we had a container of chilled beef just arrived. We are going to deliver. Next thing, bang! This was all stopped. I don't want that risk. Say by some miracle I've gone through all … the work, and managed to be an agent for Fonterra. Just imagine … the amount of work to just to get to that level would be huge. Say if we are bringing … baby formula in or something. And next thing, bang, there is a recall comes out, and all the material has to go back. How much money would you lose at the end of the day? You might be like the … [French] and go to Fonterra and seek compensation. You might … but the fact is, you take a hit! That comes out of nowhere! It comes out of the blind side. There is no warning for those things.

3.5.4.1.3 Complicated agribusiness supply chains

The structure of the agribusiness industries from the supply chain perspective, as observed by some informants, is fragmented and complicated. There are many 'ticket-clippers' along the supply chain, from production through to procurement, processing, distribution and marketing. One New Zealand CEO explained how they procure fruit in China:

> Like everything in China, there is normally about five gates you go through. We go to the individual farmer associations, so we talk to the farmers through farmer associations. And some of those farmer associations act as agents. In some cases, the farmer associations are collected under an agent, largely to do with money, because the agent will be the middle man, with some money to pay the farmer or the farmer association. And the farmer

> association takes a fee, the agent takes a fee, the … fertiliser supplier to the grower association or the agent takes a fee, so all the way along, there are fees being paid for various things, and it just spreads the wealth … that trickle-down effect … those fees spread the wealth through the stratum.

The distribution network involved is just as complicated:

> We deal direct to a wholesaler, or direct to an agent, who then may have an agent with a particular wholesaler, who is connected with a supermarket, so you might have three or four gates to go through. We deal direct [with] master agents, international brand agents. We deal direct to supermarkets in our own right. China is still largely a wet market, where … purchases [are made] three times a week, even buying in supermarkets…. The supermarket will shop in [a] wet market, or buy in wet markets through a string of agents…. They get into direct retail or purchases, particularly for imported product, but also increasingly with specification, and they'll want secure supply lines of certain products domestically as well, and that's the area that we are interested in playing, in being a trusted supplier to major brands.

One of the consequences of such a complicated supply chain is that it brings challenges in terms of managing food safety issues, as is widely known by people within the agri-food sector after the melamine scandal in 2008. This kind of challenge is not unique to the dairy industry and is often aggravated by what might be regarded as compromised moral standards. One New Zealand CEO explained the difficulty they face when trying to address the issue of misusing antibiotics, which is aggravated further by the generally poor air quality:

> I am trying to stop the use of things like antibiotics in food production in our particular supply chain…. They said, 'What the hell, it's a creeping death anyway, we might as well use it.' Breathing the air is going to kill them faster.

3.5.4.1.4 Lack of system thinking

One factor that has made New Zealand's food and agribusiness industries among the best in the world, as identified by some informants, is the 'system thinking' approach, whereby every stage of the value chain − from the biological input at the production level, through to procurement, processing, distribution and marketing − is part of the system, and these parts need to function in a co-ordinated way in order to maximise the outcome from that system. However, this kind of system thinking is not commonly seen in China, according to a number of informants. One New Zealand agricultural consultant explained it like this:

> I think Kiwis by and large … [understand] that you have to adapt the system to the particular environment that you are working at.... It's a reflection, I think, of the way that agriculture is taught in New Zealand universities and Australian universities.… In the States, it tends to be not that much system focused. It tends to be more discipline focused, and that's what the Chinese have done with their education and training. So you can get people who are really good on their discipline, but they don't understand the whole system.… I think that's actually one of the biggest contributions that New Zealand can make, is helping people in science, people in administering agriculture [in China], to understand that we are working with a system, and need to understand the interaction of the whole system.

This lack of system thinking presents real challenges in the day-to-day management of agribusiness operations in China, because it is difficult to find staff with the desired mind-set, particularly staff at the management level. One New Zealand senior manager commented:

> More and more, and it's a slightly sad comment that we are recognising that we would have to build our own people almost entirely from within. We've looked, and have been looking very hard at people from other businesses within China, and we are finding there is a gaping chasm between what we would consider acceptable and how they do things. We had hoped … we would produce two or possibly three managers from within our ... system, and looked to get one or two externally from within China. What we are identifying is that we just wouldn't be comfortable to take people from within China. That's a sweeping statement – there will always be exceptions.

3.5.4.1.5 Lack of volume of supply from New Zealand

The vast difference in size between New Zealand and China has meant that it is impossible for New Zealand to satisfy Chinese consumers' demand for agri-food products. One New Zealand senior manager explained it like this:

> Look at the figures. New Zealand, 4.5 million people; China, 1.3 billion. New Zealand can't produce enough to supply all of China. Sichuan province itself is about 80 million people. Chongqing is 30 [million], so you are up to 110 [million]. Yunnan is 60 million. Guizhou is 30 million. If you just look at that little circle, you've got 200 million people, which is almost as big as [half of] Europe.
>
> If you are a New Zealand company, and you come up with something … that was going to sell everywhere, you couldn't meet the demand. If every Chinese person started to eat butter tomorrow, New Zealand couldn't produce enough butter. If every Chinese person

> started to eat lamb, you couldn't supply even a 10th of it. Actually there [are] some interesting statistics. Somebody figured out that if the New Zealand land mass was converted to a farm, and it produced food [for a year], it could only feed China for 4 days. So New Zealand is never, ever going to conquer China.

Other informants shared a similar view. A New Zealand business consultant commented:

> Let's put it this way, China … [is] going to take all your product anyway. They are just going to take the whole lot, whatever you are producing. Apart from the big boys like Fonterra. The meat guys, if they get it right, China will swallow it up.… The problem with New Zealand is about scale.

Similarly, a district mayor in New Zealand said:

> One of the things that we are struggling with in New Zealand, though, is to supply enough volume in a way that they are used to handling it.… What we don't have in New Zealand easily is a way of meeting the demand when something takes off.… We can't produce enough often to satisfy the demand.

Such lack of volume of supply leads to the value proposition of high-end and luxurious agri-food products. However, some informants saw challenges in that approach too. One winery owner explained:

> Now in wine, you either have a small amount of wine, you have a middle amount, or you have a large amount. And one of the biggest fears for Chinese [is], has New Zealand got enough wine to supply me if it is really successful. That's an important question. And if New Zealand wine took off in China, the answer is 'no'. We can't. We've almost maxed out with our vineyard areas, so we haven't. So for New Zealand, it is smaller volume, added value, higher price.

Another New Zealand business consultant commented:

> Everyone is going in and say[ing], 'Right, we will hit the top [sell premium products].' But what they do is … they might have a good margin, but sell nothing, so what's the point? So you need to come in with a different strategy.

This lack of volume of supply provides the rationale to produce inside China. As one New Zealand senior manager said, "New Zealand, in New Zealand, can never hope to satisfy the demand for

growth in China". The challenges that come with operating agricultural production inside China are covered in other sub-sections of *3.5.4 Challenges for New Zealand agribusinesses*.

3.5.4.2 Social challenges

Parallel to the legal and operational challenges that confront of New Zealand agribusinesses are the social challenges. Among them, the language barrier and the politics of food were identified as the most significant.

3.5.4.2.1 Language barrier

Several informants identified the language barrier as the biggest challenge overall when in China. The challenge lies within the unknown, and hence the uncertainty, during communication. One New Zealand CEO explained:

> I think my personal frustration [is] that I do not speak Chinese. If you don't speak Chinese, it's a bit like … and we do it in the New Zealand scenes or any Western economy, that the innuendo [and slang] give us all [sorts of insights].... It's interesting that when you hear a European speak, within half an hour of them speaking, you pretty much can categorise their educational status, what nation they come from, or what area of the country they may come from. So there is a lot of those nuances that you are blind [to], and therefore you just can't see a lot of that unless you are really smart, and you start to pick up a lot of that stuff. And it takes a little bit of time, so that's a huge frustration.

Another New Zealand senior manager shared her frustration at not being able to speak Chinese, and explained that there were lots of "checks and balances" in place within their business operation for the purpose of effectively communicating past such language barriers:

> Look … I think the biggest challenge is … sadly I am not fluent in Mandarin. I would love to wake up one day and be able to [speak it], but it's not going to happen. It's a frustration with us, not of China, to be very clear, that we do things in translation. And that's just life, basically. And even with what I would call very high-end Chinese staff, we still need to be constantly checking to make sure they've heard what we think we told them. So there are lots of checks and balances that you put in place to make sure that everyone has the same understanding. But … that's something you would have anywhere in the world where you are dealing in a language which is not your own, and it's how you manage that. And even things like different definitions for words, that's something that we need to be really understanding: have we just delivered the message that we think we did?

Another New Zealand senior manager commented specifically about the language used at meetings, and the uncertainties he sensed when a meeting was conducted in Chinese:

> The other difficulty is what language your meetings are in.… obviously if they are in Chinese, then you are never a hundred per cent sure that the message that you are trying to convey is actually getting across in that way through the interpreter. It's a challenge.… Plus, when directors or senior management out of here [are] going to Europe, or other markets like that, there is a greater level of English, and they can kind of understand a bit more. But sometimes when more senior people from here, board of directors, [are] going into China – I don't know whether it was convenient, but there was no English spoken, so it's very difficult for the directors to get a sense of things in China. I think in other markets you get a bit more [of a] sense.

Frustration also arises when translators take a more round-about way in their translation, rather than the direct approach preferred by some informants. One New Zealand middle manager commented:

> People that we use to translate weren't translating how we [wanted them] to translate it. They will say it softly and in a round-about way, rather than how we say it at home. You just say it to the point, and it's understood, and everyone knows what's happening. Whereas here it can quite often go round and round ... that's probably one of the bigger challenges.

Similarly, a New Zealand CEO indicated that much is often "lost in translation": "A lot of it is lost in translation, even with quite good English speakers [who are Chinese], it's lost in translation."

The language barrier also means that foreign expats might struggle with a permanent or semi-permanent position in smaller towns, as another New Zealand middle manager noted from his own experience:

> If I went back there, I'd like to be able to just have conversations with local people. For the month when my translator went away, and I couldn't communicate with anybody, I was pretty much just on my own, using hand signals and different things to get by. You are quite isolated, and that's not easy. That's why I don't think it would be an easy place for an expat to live permanently, or on a sort of semi-permanent basis.

3.5.4.2.2 Lack of understanding about China in New Zealand

Informants identified that there are some cultural hurdles when doing business in China or with the Chinese. This was, as indicated by some informants, partly due to the language barrier, but

also due to the lack of understanding about China and the way things are done in China. One New Zealand senior manager explained that it was about understanding the cultural nuances, and that a lack of understanding of these nuances creates cultural hurdles:

> I think it's about how we do business versus how they do business. And it's the understanding of those nuances that we miss, because we don't understand, and have not got a good appreciation of the language, and the body language. Whereas if you are dealing with a European, you have a much better ability to interpret those nuances in the language, because English … is almost cut and dry. There are way[s] of interpreting, but we are used to it, so we can see if we are being misled generally. And we can see from the body language whether they are telling us a tall tale or not. Whereas we haven't learnt yet those nuances that go on within the Chinese society…. It's about understanding the language and some of the word usage … you need to understand that signal … to them a signal, but to you, it's a different signal, so you need to understand that, and that interaction.

Another New Zealand senior manager pointed out that the lack of "Chinese inherent understanding" has meant that they did not understand the nuances within certain processes and procedures as well as they might have wished while dealing with some of the issues:

> We've dealt with our own issues … again because of that lack of Chinese inherent understanding, we've dealt with stuff for the last 2 years from just a completely foreign perspective. I don't know if we would have done things differently at the end. But we would have understood processes and procedures a lot better than we did … expectations and those sort of things around how systems work, and what's expected and required, just the nuances of how the systems work.

Specifically for agribusiness operations, particularly those involving agricultural production, some informants pointed out that New Zealanders do not always recognise the need for the quick cash returns that many Chinese desire. One New Zealand senior manager commented:

> If you are a Kiwi company coming to China, and Kiwis think in terms of, 'Oh, let's build a massive farm, and let's run it really profitably for 30 years, and then we will pass it on to our son and daughter, and they'll run it for a generation.' The Chinese mind doesn't think like that at all. They want to get the money out as quickly as possible, and mitigate that risk in case policy's changed, or something happens … so cross-culturally, New Zealand companies need to figure out that dynamic.

This lack of understanding, particularly by those who are based in New Zealand, can sometimes cause friction within businesses, making it difficult for the operation in China to proceed. One New Zealand senior manager explained with an example of an argument over the necessity of having everything 'signed on a dotted line':

> Other frustration … is that back here, people don't get it. We certainly don't have all the answers. But I think we are learning, and I think our learning curve has been pretty steep.... But … explaining in our words, the learnings we've gone through in terms of why … this might be the case in China, which would never really be the case in New Zealand, but in fact it's okay over here, and it's legitimate, and it's a good strategy, although we would never do it in New Zealand, actually taking people on that journey with you is not easy.... We've even got stakeholders in this business here, who … would say, 'Look, you shouldn't be talking to anyone in China that … unless everything is black and white, signed on a dotted line, and absolutely 100 per cent straight from a Western perspective, you shouldn't deal with them.' And the answer back to them is, 'Well. It's China. I am not saying it's right or wrong, it's legal or illegal. I am just saying it's different. And you can't take your existing preconceptions about business environment into the Chinese system and exist there. People here don't get that. Everything is not always written down.

Some informants attributed this lack of understanding about China in New Zealand to New Zealand's traditional non-China-centric economic reliance, the less diverse demographic makeup in previous decades, as well as the lack of Chinese language education. One New Zealand restaurant owner explained his perspective, and it is worth quoting at some length:

> The world understands that China is the economic engine going forward. That's a reality I think that most New Zealanders get. What they don't get is how difficult it actually is for New Zealand to engage with China, for us to shift our legacy relationships from Australia and the US, and prior to that, they were England … and [there] is that whole cultural legacy, that colonial legacy, and then there was the time that I would say the Pacific and generations through the North American, Atlantic kind of economy, which is that Anglo-American economy, and now is basically [it is] China and ASEAN.... And the number is just astounding in terms of where that trade's coming from. But there has not been the psychological awakening amongst New Zealand investors or ... I'd say the mass of them ... to actually realise how to take advantage of this opportunity, and not to lose the opportunity.... It's ever present, just through very straightforward things, like ... racial stereotyping, and a degree of racism in the New Zealand mind-set towards Asians. And that

is in itself one enormous hurdle for people to really step up and take advantage of the opportunity. Yeah, there [have] been goldminers in Otago since … the 1860s, and we all believe that there is this kind of legacy relationship with China, but it's a drop in the ocean, and it's not important to most people.… Most people wouldn't know … the difference between Cantonese and Mandarin. I mean, that's the reality.

It is getting better. I think with a new generation of people, I would say under 25 from my experience, with people in my family who do business in China, who are young students in a university, have grown up with a mind-set that, 'Okay, that guy is from Bangladesh; that guy is from Iran; he is from Singapore, he is from Korea; and, oh yeah, I went on a trip with him to Japan.... And they are kind of the same.… Some guys are black, some guys are white, and some guys are yellow.' That's normal amongst us, as it's kind of … a tribal species. But, under a certain age, those stereotypes of legacy [have] largely been eliminated. At least that's what I see from my experience with the youth when I interview people from Europe. We have internship[s] from all over the world to come here. [They] kind of basically said, 'Okay, I am now going to Asia, as opposed to previously I would have done all my internships in Holland, or Germany.' So that kind of discernment is real. But anyone north of 25, which is kind of ... 40 … I still think there [are] a lot of challenges to people who are in corporate New Zealand. There are large institutions that have some legacy baggage, whether they are government institutions, or large corporations, and that's just the reality of where the country is at. There is a fantastic ground swell of change.... I have fantastic experiences with young New Zealanders who are coming here. But it's a small population. The level of sophistication is not high. But there is a hunger and desire to learn more, so that's a great positive.

You know, we are not the first people to the party cab. We think we have a God-gifted right to be doing business in China, and that because we are from New Zealand, we are nice guys, we've got this great product.… It's not quite that easy. You need to work [out] what they are about culturally, what motivates them, what incentivises them, and how do you become relevant. Yeah, you may have great product, you might have great dairy powder, you may have a great aquamarine product, you may have great technology, but you really need to work out, 'Okay, how am I going to get that up to China, and how are they going to be interested in it?' And on the flip side, the other reality is that the Chinese are better prepared to do business in New Zealand than New Zealanders are … to do business in China. [At] a most straightforward level, language. If you've worked out the number of Chinese to go to New Zealand speaking English, I don't care how shitty their English is, they can actually

> communicate with you, versus the number of New Zealanders who come to China and are literally in need of a translator with them 24/7. I mean, that's just an operational reality. I didn't come to China speaking Chinese, and that was very difficult. It's still difficult. But if you are going to do business in a country, you'd better have someone with you 24/7, or be ready to have that, and understand cultural nuances.

A New Zealand senior manager spoke about the need to educate the general public in New Zealand about China and ensure university graduates have some understanding about China:

> Your graduates from New Zealand … somehow getting them an understanding of China.... It's just such a big beast. It's going to be everyone's world in some way … so anything that you can do to … not so much of doing business in China, but just that appreciation of what's here and what's involved. Everyone should have some basic rounding of it, I believe. You look at the numbers of kids that are doing Mandarin in New Zealand, it's pitiful.

This lack of understanding of China is sometimes reflected in the negative media slant about China in New Zealand's media. This was discussed in *3.5.3.2.4 Some New Zealander's prejudice towards China and Chinese people*. This prejudice − as it is seen by some informants − was not due to arrogance, but rather a lack of understanding. One New Zealand senior manager commented, "I think it's just a lack of understanding…. I don't think it's arrogance. It's just the understanding."

Another New Zealand senior manager explained that such lack of understanding, and the resulting fear and prejudice, was due to not spending enough time in China:

> When New Zealanders come up … they get scared, because they don't have that linkage…. In my opinion, that's what makes them scared. They don't have the linkage, so they come up here, and they get frightened, and they do stupid things that they wouldn't do if they [were] going to Australia, because your customs basically say you are comfortable in that environment, whereas here, 'Whoa, I don't know anybody. This person is trying to do something, I am not sure that's the right thing.'
>
> They say it's very hard to work out the body language of a Chinese person. Yes, but you are not here long enough. Yeah, they might have different ways of reacting. They are going to be stony faced, but it's there for a reason. So we need to spend more time, and feel comfortable. There is a lot of prejudice in New Zealand. And I notice it now when I go back, and I feel very uncomfortable with it, because these are my people, and I don't like them being criticised. I read a lot of stuff in the newspaper, it's just a load of dribble. And they always pick out some peculiarity, something that's gone on here that paints the place in a

> bad way.... People are people … and you live here, and they are basically the same. It doesn't matter what they look like, and how they behave, in a way, basically they are the same. They have the same needs, the same wants as anybody. Just if you understand that, then it takes away that fear. And prejudice comes from fear.

However, some other informants were less optimistic about overcoming such a lack of understanding. One New Zealand middle manager suggested that the way to fully understand 'the Chinese way' is by fully integrating into a living and working situation with the Chinese:

> I've only lived here [China] for … just over a year … probably need to marry into a Chinese family to grasp it fully. I do spend a lot of time, just around Chinese people.... You'd have to fully integrate into a living situation and a working situation with the Chinese, and for a number of years, to fully understand.

A Chinese senior manager saw that the cultural hurdles were indeed significant to overcome, both for foreigners going to China, and for Chinese going to another country:

> Chinese [in another country] would have great difficulty in integrating into their circle.... They [foreigners] would not accept.... To be able to communicate heart to heart like two Chinese do, it would still be very difficult.... It's not [the language barriers], it's still the cultural differences. He [the New Zealand business partner who was based in China] also finds it difficult to integrate with the Chinese, because there is the language barriers [to start with].[37]

3.5.4.2.3 Politics of food

Different ports of entry can often have different requirements for similar types of documentation, as noted by some informants. One New Zealand winery owner said, "Policies with regard to importation and rules surrounding borders and customs, they are very challenging, because one border has one set of rules, and another port has another set of rules".

Other informants recognised the political games that governments play against each other using the importation of certain food products. This was recognised as a significant risk that is beyond the businesses' control. Maintaining good relationships with border officials was identified as the way to reduce this kind of risk. As one New Zealand senior manager explained:

[37] Original Chinese quote: 中国人 [在国外] 很难融入他们那个圈子 … 人家不接受的 … 能够处得像中国人那样能够交心的，还是很难的 … 不是 [因为语言上的障碍]，还是文化差异。他也很难融到中国人中去，因为他语言就不通嘛。

> We've seen it operating with oranges, and now it's happening with apples, [it involves] understanding where politics get involved in the business…. The worst nightmare is potentially around market access or being shut out of a market. It's understanding how much of that is genuine market access around quarantine issues, and how much is politically driven. We've seen the issue with American oranges into China, which arguably would be solved by addressing access of Chinese product into America. Similar thing is happening with apples as well. How do you safeguard business against politics? And that's our nightmare, is that things happen for unforeseen reasons … and that we get caught up in those sort of things. That's part of the purpose for trying to forge as broad and deep relationship as we can with officials and with the government at a high level, so that we don't find ourselves becoming a casualty of something like that.

3.5.4.2.4 Difficult to change habitual farming practices

Apart from a general resistance to change by staff members, as discussed in *3.5.2.3.5 Resistance to change*, some informants also referred to the challenges in getting farmers to change their farming practices for a particular kind of agricultural production. One New Zealand agricultural consultant said, "One of the problems that we face is that … farmers are peasants. It takes a lot to get that mind-set out of people's thinking". Another New Zealand business consultant commented:

> The thing I see with farming here in rural agriculture is it's so bloody hard to get things going, and it takes time. Kiwis are coming up here and trying to change things…. It takes a very long time to change anything. It's like Chinese people going down talking to a Kiwi farmer. And they go, 'No. Bugger off. We are happy with what we are doing'…. A mate of mine said it really well. He said, 'China will change when they go from peasants to farmers.' And that's a big step. It's a huge step, because the guys have been doing the same thing … they are head down…. That's what they do, so how do you change that mentality? It's hard.

A New Zealand mid-level manager talked about his experience trying to find acceptance for a different dairy farming system in China, which the business he was working for was trying to promote:

> It is hard. We are trying to change perception. And there is a set way that things are done everywhere. Whenever you come in with something new, people are always going to resist it, which we've definitely found a lot of people ask, 'Why? Can they not just do it like how everyone else does it?'…. These Chinese guys, they are so set in their ways.

> They've got it in America, they've studied in America, or worked in America on farms. They've seen it in America, and they think it should be done here. And of course the issue of bringing the American system here is that China doesn't grow very good-quality alfalfa. America does.

3.6 Reasons for Past Failures

At the time of the interviews informants were asked what they saw as the biggest mistakes that New Zealand agribusinesses have made in their ventures in China. Many informants shared their views on the reasons for the past failures of these ventures, and five distinctive themes emerged. Informants blamed the mind-set of 'We are the experts' and 'China is like anywhere else in the world' as two of the main causes for these failures. They also believed that it was a mistake for some agribusinesses to try to work solely on their own, without working with the locals. An unwise choice of business partner(s) as well as 'rushing it' were also blamed, along with an over-emphasis on relationship building while losing sight of the main task at hand.

3.6.1 Thinking 'We are the experts'

Having a relatively advanced agri-food industry, particularly in terms of being efficient at agricultural production, has led to some New Zealand agribusiness entrepreneurs thinking 'We are the experts', which then becomes a stumbling block for their business ventures in China. As one New Zealand senior manager commented:

> If you look around the world, you see it far too often … any culture coming in, not just Kiwis, and saying, 'Oh, we are experts, we know what we are doing. We will show you how to do it properly.' And there really needs to be that culture of we are in a new environment, we actually think they are quite good at some things, but let's just watch and see, and find out what works and what doesn't work.

Another New Zealand senior manager explained that the distinctive population difference between China and New Zealand has meant that there are different kind of needs in agricultural production:

> The biggest mistake ... this is not just applied to China … is to go in there and say, 'Wow, I've got a deal for you!'…. Too many New Zealanders … I think, go in there … they look at what's happening in China, and they go, 'Wow. This is what used to happen in New Zealand 20 years ago. I can fix your problem.' But the Chinese people haven't actually identified that they've got a problem yet, and they possibly don't think that they have got

> one. In many cases, they probably haven't. We are talking about completely different situations, where we have three or four million people in total in the whole country … and what's Christchurch? 300,000 or something, and that's one of your bigger cities. Whereas a small city in China is 5 million! So we need technology … because of the small population. We will lean on technology, pay our people very well, too well internationally in many ways.… Whereas you go in there [China], and you say, 'This is the way we do it in New Zealand, and it works. Well, I can fix all your problems.' [A] Chinese businessman would say, 'Hang on. Who said that I've got a problem? I haven't got a problem. And this is the way [it] works here, where we've got a lot of people. Our wage structure is much lower, even when they are being paid reasonable wages.'

3.6.2 Thinking 'China is like anywhere else in the world'

Many informants indicated that a common mistake made by New Zealand agribusiness entrepreneurs in China is to think that the Chinese market is the same as or similar to other markets in the world. As one New Zealand winery owner noted, the biggest mistakes that New Zealanders have done, in term of food and agribusiness in China, involve "Treating it like you would with another relationship, like another international country, and not seeing China is different … and not understanding deeply enough the cultural differences in the way of doing business." Another New Zealand senior manager thought that the biggest mistake was

> Trying to operate the way they operate everywhere else.… We regularly hear stories of … big companies that are trying to plant their New Zealand model or Australian model … into China, and trying to roll that out. For all the reasons that we are learning, that doesn't work. There is a distinct way of doing things in China that doesn't fit elsewhere.

Similarly, another New Zealand senior manager commented:

> From a New Zealand business point of view, there are a number of companies that go in there totally unprepared, and there is an expectation of what worked in New Zealand or the rest of the parts of the world is going to work in China. The stories are classic, the Lion brewery in … Suzhou, and the AFFCO freezing works.… A lot of people would go in, and they haven't done the ground work.… You see a lot of the same elements there. China is a big country. It's a complex country. New Zealand businesses, to go in you need to actually understand what [it] is that they do, in a really in-depth sort of way. There is no substitute for years on the ground and people on the ground because of their experience. You've got to have that.

3.6.3 Trying to compete against rather than working with the locals

Many informants thought it is 'unwise' for any agribusiness venture in China to try to work alone. Working with a suitable local partner, to utilise the existing networks and particularly the distribution systems, was deemed essential. One New Zealand senior manager told the story of the spectacular failure of Lion Nathan:

> Your biggest train wreck was Lion Nathan.… If you had boots on the ground, you would have understood that the 90s beer wars.… If you walk in to any bar in the 90s, you had to run through a gauntlet of beautiful girls with short skirts, holding a bottle of beer, wanting to promote their beer to you. That was like that every bar … Carlsberg … every brand of beer. So in the 90s, you had every brewery jumping into China to try and take over the Chinese beer market, it was [a] really, really bitter fight, [an] enormously bitter fight. And Lion Nathan came in, their strategy, which I am sure it was a good strategy, even though it was completely wrong, was, 'We are going to put the most modern, brand new brewery near Suzhou.' Good location, because you are thinking that you are going [to] service the Shanghai market, which is probably the right market to service. Although on one level it's not, because Shanghai is also where you have the most competition. And they went it alone. They tried to build their own distribution networks.
>
> So if you imagine there [were] about 100 brands of beer, fighting for market domination in China, so every major brewery in the world was trying to get in here. When the wars were over, and the wars were won or lost, who won? And what did they do that was different to other people? And [it] all boiled down to one very, very simple choice. Carlsberg, Budweiser … Heineken, all came out on top, because they went to an existing strong brewery, said, 'We will build a beautiful factory, beautiful new production plant in your brewery. We will basically hand it over to you, we will take a royalty on the beer that you produce, and you run it as your company, your distribution networks, your sales channels, and how do you feel about that?' And of course, all the breweries, the ones they've approached, said, 'Absolutely'. So they put their money in there, let the Chinese brewery control and own it, and they stood back and took just basically a royalty.
>
> So Lion Nathan's mistake was assuming that somehow they could build an effective distribution channel in China. Impossible. Absolutely impossible. So … it was a big loss of money. And Lion Nathan came back, and if you read the press around that time, all these bad stories about China, it's a bad market to go to, blah, blah, blah. But go and ask Mr Carlsberg [about] what he thinks about the China beer market…. Even Budweiser, an

> American beer, it's a horrible beer, it's one of the dominant beers in China, because they used the Chinese system to be successful.

A variation on this competitive mentality is trying to 'colonise' the Chinese market. One New Zealand business consultant explained:

> There are a lot of people who think, 'I want to be an economic colonialist of China. I want to colonise it with my restaurants, or my brand, or my outlets, whatever it is', and they find a partner, who is only an instrument of their colonisation in China, and they try to take full control of the partnership, and do it their way, and the Chinese partner feels highly pissed off. They cannot understand why their partners don't listen to them, don't follow their advice, and don't make money. If your real agenda isn't the agenda that you put on the table, you are not heading to a good place. There are many, many stories like that.

3.6.4 Unwise choice of partner(s)

Along with the importance of having a local business partner is the challenge of finding the *right* one. One New Zealand CEO recommended spending more time and resources to ensure the right partners are found before any serious investment is undertaken:

> Fundamental to everything we do in China is finding the right partner. The road is … [littered] with failures because people have chosen the wrong partner, and just got blindly ripped off. So the biggest advice is: spend double the time that you've ever dreamed of, and probably double the money, getting the front end right, and getting the right partner, the right connections before you spend any … real money in China, or any infrastructure.

Related to this notion of finding the right partner is the appropriateness of signing exclusive agreements with a single partner in China. Some of the informants believed that signing exclusive agreements is the biggest mistake that some New Zealand agribusiness firms have committed, because it is unwise. One New Zealand business consultant commented:

> Signing exclusive deals, I think, is the biggest issue, biggest mistake New Zealand companies have made. Do it for a province. Do it for a local area or part of China.… If you say to a Chinese guy, 'Oh, I am meeting you here today. I've got another guy who is selling too down at Shenzhen', they will talk to each other. I guarantee it, they will. And if you got the same price, and it's a level playing field, then they've got nothing to complain about. And it becomes a performance. I've seen it so many times. People come in here with their New Zealand hat on, and go, '… You are great. We will go with you'.... They are not doing

> the test.… They come up … they meet this guy, and they go, 'Right, this is the guy.' Sign an exclusive agreement with them. Great! And this guy here now goes, 'Oh, shit.' Now he works out how to sell his product.

A New Zealand senior manager acknowledged that reliance on one partner had led them into trouble: "One of our business mistakes was we became too reliant on one partner, and the one partner was doing business or telling us some things that weren't quite right with Customs."

The underlying reason for this issue is the diversity of the Chinese market, as has been explained in *3.5.1.2 Diversity*.

Also related to this concept of finding the right partner(s) is the notion of having a wide local network in China for cross-referencing. One New Zealand senior manager commented that their reliance on too few people was one of the factors that led to a serious incident within their business:

> In the past, I think what we've been guilty of is channelling things through a handful of individuals, within our business, and then through our partner networks. We have come unstuck, because we've relied too much on too few people. We haven't been able to cross-reference the thinking more broadly.… Probably not doing sufficient due diligence, not knowing who they are dealing with, not resourcing it sufficiently from their end, not investing enough time in the relationship, not continuing to front up and saying, 'Okay, we've signed the contract. The deal is over. I am now off to India to sign the next deal,' but continue to invest in the relationship.

3.6.5 'Rushing it'

One of the reasons identified by many informants for failing to spend the time and resources to find the right partner(s), which then led to business failures, was 'rushing it'. One New Zealand business consultant commented: "That's part of doing stuff up here. You don't do your business deal on the first day. It takes a long time. That's where a lot of Kiwis fail. They want to do it fast, fast, fast."

A New Zealand agricultural consultant also believed that rushing to build relationships and not spending enough energy on doing due diligence had led to business failures. When asked to name the biggest mistake New Zealanders had made in food and agribusiness in China, he answered:

> I think … rushing it … failing to build good relationships. Trying to rush things is a mistake.…. Promises about supply of inputs into agricultural processing need to be very

> well researched, because there are a couple of cases there where companies were over promised … what could actually be delivered.

A New Zealand senior manager gave a similar answer to the same question: "Being too quick, and being aggressive.... Thinking that they've made a friend. Thinking that because they've simply signalled to you, 'We are well connected. We know all these government officials,' [so they are the right partner].

Another New Zealand senior manager also commented on the mistake of rushing into a committed business relationship:

> There have been a lot of people … who are really struggling, because they got absolutely rushed into the front end too fast, and it's costing them … a bloody fortune, to try and [extract] themselves out of that bad position, or pay their way out of it to start again. It is bloody painful.

3.6.6 Over-emphasise relationships

Despite the importance that all informants put on building relationships with the right partner(s), other informants warned that New Zealanders could also fall into the trap of overdoing the relationship building, and thereby lose sight of the real business. One New Zealand senior manager explained:

> Some people are too sensitive to the Chinese way of doing things. In other words, they put a lot of effort into the relationship. We all hear about how important relationships are, and I think they overstate the importance of that. In other words, you can sit and go through all this rubbish about great guy, dah, dah, dah. But at the end of the day, you actually don't expect anything to happen out of it. So some people put too much importance in that, and so they actually find it very difficult to do much progress…. I think ... you have to do things within our framework, but you have to really keep your eye on the task in hand. Right, this is what I have to do. And you don't necessarily approach it in the exactly the same way as you would in the Western place. But at the end of the day, don't get diverted off into some of this other crap.

3.6.7 Bad luck

China is not an easy place to do business, and perhaps more so for agribusiness ventures, for the whole variety of reasons mentioned above. Succeed or fail, is there any element of luck involved? One New Zealand CEO saw it differently from many other informants:

> China is a very competitive place. It is an incredibly competitive market. Companies fail for lots of reasons ... not because people have done things bad or done things wrong, just because the guy next door [has] caught what they call a lucky break, and got a bit more support, just [for] whatever reason. Companies here are just like they are in New Zealand, they come they go…. China is a place full of opportunities, but likewise, it's like the Bermuda Triangle, with plenty of ships gone down in it. Some of them are big ships. Lots of small fishes came here and have become big fishes, and get swallowed by sharks. That's the nature of the beast.

3.7 Summary

This chapter is the first of three results chapters in this thesis. It is dedicated to describing 'how things are' in terms of doing agribusiness in China and/or with the Chinese, through the eyes of the informants. This description was elaborated from economic, political, social and business environment perspectives, and was complemented by the reasons given for past failures, as identified by the informants.

3.7.1 Economic environment

China has become an important economic force on the world stage, and its significance to New Zealand's economy is undeniable. Informants observed the coexistence of the 'grey economy', where many transactions are undertaken in cash only, and the 'grey trade', where foreign products enter China via Hong Kong without meeting all the required Custom entry criteria. In their eyes, China's economy continues to develop at a rapid pace, and its society is becoming westernised during this process.

3.7.2 Political environment

In this advance towards prosperity, according to some informants, the Chinese government as well as the Communist Party play a crucial role, and their power extends into all business activities. Maintaining good relationships with government officials − which at times can be difficult due to the need for foreign business operators to judge the appropriateness of certain activities − has become an integral part of everyday business operations in China. The bureaucracy of government officials has sometimes caused frustration for the New Zealand agribusiness entrepreneurs interviewed, many of whom regard dealing with these officials as a 'game'. What also frustrates and confuses these foreign entrepreneurs is the flexibility with which the laws can be implemented, creating ambiguity as to where exactly the boundaries lie.

3.7.3 Social environment

Despite its widely recognised westernisation, China was perceived by the informants as a place where many of the social institutions that have been around for centuries continue to affect people's business behaviours. These informants observed that China continues to, as it has for centuries, operate under a hierarchical social order, where *guanxi* remains a fundamental element in all business activities, and beyond. Within these observed *guanxi* networks, each individual forms his or her own circles of trust, and reliance and responsibilities are proportional to the level of trust given. *Guanxi* resembles certain characteristics of Māori tribal customs in New Zealand, as observed by some informants. Such resemblance, however, is not enough to negate the challenges facing these New Zealand agribusiness entrepreneurs in navigating through *guanxi*, regardless of whether it is within or outside an organisation.

The concept of 'face' has made the interviewed New Zealand agribusiness entrepreneurs more cautious in their communication with their Chinese counterparts compared to how they communicate with Westerners. It also has implications for the rises and falls of New Zealand luxury food and beverage products selling into China, particularly in the context of the anti-corruption campaign initiated by the Chinese government.

According to the informants, survival of self and family in the harsh competitive environment remains the top priority in life for many Chinese people. The responsibility to ensure the family members' survival then extends to the social responsibilities to other members within each individual's trusted network, which often far exceeds what individuals feel they are obliged to do within a Western society. Nevertheless, informants felt that Chinese people share with Westerners some basic values of what a good life is about, and therefore strive to create such a life for themselves and their families.

Although Chinese people generally show great hospitality to visitors, informants warned that such hospitality should not be misinterpreted as trust. They believe that the 'rules of the game' in China are always all about China and the Chinese way of doing things, in that the collective voice is louder than individuals' voices, and people hide behind their social masks in order to stay unnoticed, relying on the collective and avoiding conflict. All of these characteristics make relationship building and staff management challenging for these New Zealand agribusiness entrepreneurs.

3.7.4 Business environment

Overall, the informants perceived the Chinese food and agribusiness sector to be an evolving and highly competitive playing field with vastly diversified markets, in which social media are playing

an increasingly important role. Nonetheless, foreign agribusiness firms still appear to possess advantages over local firms in terms of their perceived advanced ability to improve the livelihood of rural areas, as well as providing employees with an environment in which to improve their English-language skills.

For the interviewed New Zealand agribusiness entrepreneurs, the communication style of the Chinese people can be subtle and convoluted, making information exchange at times a matter of guesswork.

In terms of business negotiation, views were divided as to the importance of contracts, with some informants seeing them as discussion documents that should subsequently be left in the bottom drawer, while others insisted on strictly following contracts− unless circumstances force agreement terms to change. This divided view, however, was not seen as negating the significance of the relationships between interested parties, which sat above the importance of contracts. Also, in the process of business negotiation, informants observed that there was a common practice to host potential New Zealand business partners with banquets, during which 'drinking tests' usually took place. The custom of such drinking tests was observed to be more prevalent the further west and north one travels.

When it came to business execution, informants noticed that unlike the relatively clear boundary between work and private life in New Zealand, the work−life boundary was somewhat blurry for the Chinese, in that they would dedicate themselves to their work 24/7 if required. Yet coexisting with such dedication was a tendency to take shortcuts in performing one's tasks, particularly for unskilled workers. Unless reassured by an environment where mistakes are not punished and decision-making is encouraged, Chinese staff tend to shunt away from such decision-making for fear of losing 'face'.

Informants also noted that solution-oriented thinking is lacking among Chinese staff. This is largely due to the rote-learning style of education these staff had been through. Some informants were frustrated by the fact that both a lack of willingness to make decisions and a lack of solution-oriented thinking led to an unnecessary number of decisions having to be made by senior management. Some informants also believed that such a lack is linked to staff's resistance to change, and the amount of energy required by senior management to follow up on orders given to staff members is large.

From the management perspective, informants observed that Chinese business people can exhibit traits of eagerness for 'quick success', which is often represented by monetary gains in the

shortest possible time, partly encouraged by the perceived ever-changing economic and policy environment. This creates particular challenges for agribusiness investments, where production and investment timeframes are often as long as 5 to 10 years. To achieve such quick success, some people engage in bribery and counterfeiting activities, both of which present challenges for New Zealand entrepreneurs to manage. This is particularly the case for bribery, where the boundaries are often unclear as to what is regarded as bribery and what is not.

Despite these difficulties faced by agribusiness ventures, the informants see China as full of opportunities for New Zealand entrepreneurs. They consider that, in theory, land tenure policies in China provide land certificate holders with very similar rights to those of a land owner in New Zealand. However, there is the fear among those who hold these land certificates that the land-use right can be changed by the government with very little warning. For New Zealand agribusiness entrepreneurs who want to invest in agricultural production, the real challenge lies in finding appropriate and economically viable production land, after which the negotiation usually happens at the village committee level. Contrary to common perceptions outside China, informants observed an increasing societal concern about the environmental impact of farming, and that the Chinese government is trying hard to address this issue by setting strict policies.

There was a diversity of perspective relating to intellectual property protection in China. Some New Zealand respondents believe that 'staying ahead of the game' offers a form of protection, and that varietal rights can be protected in China, whereas some Chinese entrepreneurs see it as nearly impossible, unless F1 hybrid seeds are produced every year. New Zealand agribusiness entrepreneurs are also faced with a general disconnection between scientific research and an ageing rural labour force, who are nonetheless skilled and motivated to work to improve their livelihood under the limited welfare system.

Informants felt that New Zealand as a country benefits greatly from the 'three firsts' that China associates historically with the New Zealand government. Its reputation for food quality and safety is highly regarded in China, where food safety concerns are particularly widespread among consumers and the government is trying hard to address such issues. In contrast, China and the Chinese people often do not receive the same level of favoured thinking by New Zealanders, which is reflected in the negative slant in the New Zealand media.

Specific challenges facing these New Zealand agribusiness entrepreneurs in China relate to the unique Chinese social and business environment, described above. Lengthy timeframes are often experienced in both building trusting business relationships and operating day-to-day business transactions. The biological and environmental constraints during production and/or distribution

bring uncertainty and risks to business operations, which, as observed by the informants, can be aggravated by the complicated agribusiness supply chain structures in China, consequently adding risks to food safety management. The fragmented supply chain structure also means there is a lack of system thinking among Chinese staff, posing employment challenges for these New Zealand agribusiness entrepreneurs. Informants pointed out that even with all of these operational challenges successfully addressed, New Zealand agribusiness might still find the lack of volume of supply an unconquerable constraint.

Informants' experience was that the language barrier poses significant difficulty for day-to-day operations, adding uncertainties and frustration to communication. However, what frustrates these New Zealand agribusiness entrepreneurs even more is the lack of understanding about China in New Zealand, and the related negative opinions about China and Chinese people in New Zealand. These New Zealand agribusiness entrepreneurs also found the politics of food difficult to manoeuvre around. As a result, they have tried to build relationships with particular Customs officials in order to gain insights into the political games among countries that might be happening, because these games can have an impact on their business operations in China. At the production level, these New Zealand entrepreneurs have also encountered a fixed mind-set on habitual farming practices, which requires much effort and time to change.

3.7.5 Reasons for past failures

Overall, not all agribusiness ventures in China have been successful. Informants identified many reasons that contributed to this. Among these, considering 'We are the experts' was perhaps the biggest culprit, from which disrespect was shown to the Chinese counterpart. Informants believed that mistakes have also been made when China is not recognised as being any different from other parts of the world, and when its unique ways of doing things in business and beyond are ignored.

Linked to these two mistakes is New Zealand agribusinesses trying to strike out on their own, competing with the locals instead of working with them. The informants also pointed out that some New Zealand agribusiness entrepreneurs tend to rush into a business deal without taking the time to build trusting business relationships and identify the 'right' business partner(s). However, some informants thought that there is an equal danger of spending too much energy on relationship building and losing sight of the actual task at hand, and achieving nothing. Despite the perceived variety of reasons for failure, some other informants believed that the mishaps of these New Zealand agribusiness ventures could all be simply put down to "bad luck".

Now that this chapter has dealt with ‘how things are’, the next chapter will focus on ‘why things are the way they are’, as seen by the informants.

Chapter 4

Research Results II:

Why Things Are the Way They Are

4.1 Introduction

The complex phenomena depicted in **Chapter 3** relating to 'how things are', as seen by the informants, stem from deeper cultural differences between Chinese people and New Zealanders. **Chapter 4** will delve into these cultural differences, again through the eyes of the informants, to identify crucial elements that make the Chinese people 'different'. These crucial elements will be unravelled from the perspectives of world views / ways of thinking and value systems. As with **Chapter 3**, this chapter aims to portray a rich picture through extensive use of quotes, which will provide internal validity, external validity and reliability of the emergent insights. An extended summary of key emergent themes is given at the end of the chapter.

4.2 World Views / Ways of Thinking

Many informants spoke about the different way of thinking that Chinese people have compared to New Zealanders. They saw this difference as the reason why businesses were conducted differently within these two cultures. Indeed, as one Chinese senior manager commented, "Culture is not about who is right and who is wrong.... It's just a habit accumulated over the years and a way of thinking that is different."[38] Another Chinese senior manager pointed out:

> I think there is quite a difference between the Western and Chinese cultures. They come here to do business – why do they find it so difficult to succeed? I think there is indeed a big cultural difference – ideas, concepts, they are all different.[39]

4.2.1 Understanding from a historical perspective

As mentioned in **Chapter 3**, many informants observed the prevalence of traditional Chinese institutions in their business dealings in China or with the Chinese. Institutions such as hierarchy, *guanxi* and face continue to play significant roles in the ways of the world in China. A New Zealand business consultant indicated that to understand China, one has to study from no later than the Warring States Period (475 to 221 BC):

> The pathway I've chosen to take is to study China. I started off by studying post-1949 China, and realised that was totally short term in a long-term country; that you actually have to start studying China from no later than the Warring States Period, and try to understand all the social, cultural and technical forces that operated to bring [China] to

[38] Original Chinese quote: Culture 不是说谁对谁错 … 它就是大家这种多少年积累下来的这种习惯、想问题的方式不一样。

[39] Original Chinese quote: 我觉得中西方文化还是有很大的差距的。… 他们来这里做，为什么我觉得他们很难做成呢，还是确实有比较大的文化差异 - 理念哪、概念哪，都不同的。

> where it is today ... to understand, even though it's been through a period of forced socialism, in the sense that all production was controlled by the state, it has now come out from underneath that. And to understand the drivers that were always there … those abilities, the entrepreneurial capability, the understanding of economics, the understanding of the need for urgency for rapid and accurate decision-making, when you can't have all the information you need. These things are critically important in all economies, but I think that the Chinese have really got it first.

A New Zealand senior manager also commented that perceiving China as a Communist country is in fact only partially correct, and therefore inaccurate, and that the traditional cultural imperatives, such as Confucianism, are actually being used by the Chinese government to justify their social structure:

> Our perception of China as a Communist country … we talk about land and land reforming, [and] we tend to look at it ... almost from a Communist [perspective]. You tend to think what the influence of the government is, particularly the Communist government, but it's not. These cultural things are so ingrained. The Communist government is just the tiniest blip. And it's interesting, those cultural imperatives, those cultural traditions, are becoming much, much more important. You are actually seeing them being used by the government a lot more. Whereas 30 years ago they worked like hell trying to get rid of those cultural issues. But now they actually promote them.
>
> People in China have much, much greater respect for their leaders than we do, so there is this inherent respect for leadership here, which is a Confucian thing as well.... Their leadership, say for the last one [president], and probably the one before, they didn't have the character, they didn't have the personality, like say Mao Zedong or Deng Xiaoping. So they need to replace it with something. Because people here are becoming much more sophisticated. Look at us, three generations ago, we actually used to respect our monarch, and all that sort of thing, but we don't any more. So, what the government is doing here is they raise that profile, and Confucianism is a key way of doing that. Because if you think about it, Confucianism, actually to a large extent, justifies the social structure here, so nothing is really changed with Communism. Nothing has changed. So instead of pushing the Communism issue, it's politically much better to push the Confucianism.
>
> You hear it all the time now, 5,000 years of history ... always. 'China has 5,000 years of history, therefore we are culturally a strong country,' and that has all sorts of implications as well.... Because we, as foreigners, we don't put that into a total historic context. For the

> Chinese, their experience with foreigners is pretty bad. And if you put it in the context of the whole of Chinese history, it's a very small part. Communism is even smaller.

These traditional imperatives are believed to be more prevalent within agribusiness. A New Zealand senior manager commented that within agribusiness, "the game is *guanxi*" and "it's very Confucius [sic]":

> It's a lot more prevalent in agribusiness than in most industries ... this whole politics. And the reason I believe that [is] ... it's almost traditional. Because agribusiness is out in the sticks, life in the back blocks ... basically the game is *guanxi* ... where do you fit in the ladder.... It's very Confucius [sic], this whole hierarchy and what not. People need to know where they fit in the ladder. If they don't know that, they feel uncomfortable.… They know there is a game, they want to know, 'Where do I fit?'. It's kind of like 'Play my role' then I'll work out how do I improve my role, but first I need to work out where I fit in the structure.

4.2.2 Pragmatism

"Chinese people are incredibly pragmatic" was a comment from a New Zealand senior manager and echoed by many other informants. For example, a New Zealand business consultant explained how Chinese judge their own shortcut-taking as pragmatism, while others' short cuts are not acceptable:

> People who try to take shortcuts irritate the Chinese.… But [they themselves taking short cuts] is allowable. If you are in their head, 'What I can do to make things work is just my pragmatism,' but when [a foreigner] comes in, and tries to do things quickly … that's not acceptable.

It is worth noting that such an attitude towards pragmatism is itself a reflection of Chinese people's pragmatic approach to things.

The same business consultant gave another example of Chinese people's pragmatic thinking:

> I feel that Chinese connect cause and effect better than we do. New Zealand thinking is, it takes 2 hours to get from Wellington to 100 k north, so let's think about what we might do about it one day. The Chinese would say, it takes 2 hours to get from the middle of Beijing to the sixth ring road, let's put in another freeway, and do it tomorrow. It's just a cause and effect thing. In New Zealand now, if we suggest building a new road, there is a whole political party that will try and stop it.... 'Oh, if you build new roads, that just

> encourages cars, and cars are bad.' China doesn't say cars are bad. China says, 'Cars are bloody great things, but we need to limit the amount on the road, therefore we will sell licences.' Look at the price of a car licence in Shanghai! I think it's over 40,000 yuan now.... They are more pragmatic in terms of finding solutions.

It has been noted that even with Western thinking being introduced in China, Chinese still adopt it in their own pragmatic way. A Chinese senior manager who had been working with a New Zealand entrepreneur for over 10 years indicated during the interviews that she agreed with the idea of 'You only have one life, one opportunity, so you should make the most of it.' When asked how she regarded the contradiction between this idea and the traditional Chinese understanding of reincarnation, she said:

> I always think that no matter [if] it is a foreign idea, or a Chinese idea, you can't say one is totally right, and the other is wrong. Over the last several years I have a feeling that I should make such a judgement based on my own characteristics: whichever I like, whichever suits me, I will regard it as right.... We need to respect our own wishes and thoughts, as it is crucial. But many of the old traditional Chinese stuff, I still like it very much, and would not want to abandon it.... I think if I can find what suits me, and what I like, then I will be moderately successful.[40]

This informant chose to accept the Western idea of 'One life, one opportunity', yet the justification of her acceptance of such an idea was still arrived at through a pragmatic process – whatever suited her was the best choice.

Yet another example of Chinese people's pragmatic thinking is their government's approach to some potentially illegal conduct by business operators. As shown in *4.2.1 Understanding from a historical perspective*, Confucianism is one of the core values within the traditional imperatives in China. Due to its influence over the centuries Chinese people have learned to seek the truth through facts, which is a pragmatic approach to things. A New Zealand business consultant explained the thinking behind the Chinese authorities letting people try to get away with potentially illegal conduct as a way of experimenting, of "seeking the truth":

[40] Original Chinese quote: 其实我一直觉得外国人的想法，还是中国人的想法，不能完全地说他的就对，他的就错。我这几年有一个体会就是，我应该根据我自己的特点，然后看我喜欢哪一个，哪个适合我，那我认为就是对的 … 其实要尊自己的意愿和想法，这个也非常关键。但是其实中国很多的这些老的传统的东西，其实我非常喜欢的，我丢不掉的 … 我觉得找到适合自己的，和自己喜欢的，我觉得我就是比较成功的。

> New Zealanders find [it] hard to cope with … that ... the Chinese [think] … 'We'll do something, and see if [we can] get away with it … because if it's not legal, the authorities will stop us'. Well, sometimes they let it go for a long time, and then stop you, and then say 'Ever since then, you've been doing something that's illegal,' It's part of that 'First get on the bus, then buy the ticket' philosophy, and that's very hard for Westerners to understand. But it's directly linked to that Confucian, seeking truth through facts[41], they allow people to try things, and only after the results of the experiment [do they decide whether it was appropriate]…. The businessman doesn't think of it as [an] experiment, he is just doing business. But the authorities looked at turning a blind eye to what he was doing as an experiment, and after they decide whether it was a good outcome or not, they may stop it or not. And we find that difficult.

Additionally, many of the characteristics of 'how things are' described in **Chapter 3** can be explained by Chinese people's pragmatic approach to things. For example, the importance placed by Chinese people on *guanxi* in business dealings is a consequence of their understanding that wealth is nurtured by relationships and achieved through trading, and this understanding is a reflection of Chinese people's pragmatic thinking. A New Zealand senior manager explained that Chinese people understand the concepts of nurturing and trading better than New Zealanders:

> Our culture is probably colonial, English colonial culture, where we were set up to produce for the Empire. We weren't set up to be international traders…. That's a culture that China also has. This trading ... trading anyone and everywhere…. They understand business, understand trading, and understand relationships that are going to nurture wealth for everybody. I don't think that we understand relationships that are going to nurture wealth.

From the 'grey economy' to how *guanxi* is managed and nurtured through communication (including gift giving), pragmatic thinking directs Chinese people's behaviour. A New Zealand senior manager based in China made the following comment about gift giving, which not all New Zealanders approve of:

> I'm thinking about that all my life, with people who I interact with. Yeah, you might say it's some kind of a shallow way of gaining favour, but I am not going to do anything illegal. It's

[41] This is likely to have come from the idiom "seeking truth from fact", which is the English translation for a Chinese idiom, 实事求是 (*shishiqiushi*). The idiom originally came from the Book of Han (a historic text recording the history from 203 BCE to 23 CE), and was used by Mao in reference to pragmatism in 1938, and then further promoted by Deng Xiaoping as a central ideology of Socialism with Chinese Characteristics.

> just in my interest to make my life easier in this place, because, you know what, that's what everyone else is doing. You open the boot of any black Audi in Beijing. And what's in the trunk? Baijiu [rice spirit], tea, cigarettes, whatever. These guys are just handing out stuff all the time. It's not that expensive. It's the cost of doing business. It's just lubricating everything, because that's culturally what people did in Chinese communities.

4.2.3 Long-term and short-term thinking coexist

Through this pragmatic lens one can perhaps also understand why long-term and short-term thinking coexist in the Chinese mind, as one New Zealand senior manager observed: "We've seen examples of both. We've seen examples of a mixture of *guanxi*, long-term, strategic win-win; and grab as much as we can now, and back to … have a long-term relationship also."

This coexistence of long-term and short-term thinking can be confusing for some New Zealand entrepreneurs. A New Zealand senior manager expressed his confusion like this:

> Because of the relatively short history of … [modern] commercial business in China, there is much more of a desire to win … [a] quick success … which always to me then sits at odds with everything else you … read … which talks about the needs to invest in long-term relationships…. In business seminars, New Zealanders are always being told … be prepared to invest a couple of years to manage the relationships, [but] … it's the quick win is the other side of it, which to me is almost at odds with what you read about … this need to take time to [build] relationships.

This coexistence, however, is the product of historical development over the past millennia, as one New Zealand senior manager explained:

> In China, any statement that you make, the exact opposite can be true, and that's the *yin* and *yang* principle. For example, a lot of people would say China has very long-term strategic thinking, and it does. China on a macro level would think in terms of 100 years, or 150 years. I think they almost think in dynastic terms. You know the famous statement: somebody asked Mao Zedong,[42] 'What do you think of the French revolution?' and he turned around and said, 'Oh, it's too soon to tell.' So there is a concept in the Chinese mind of very long-term thinking. But there is also a concept of incredible short-term action. Maybe a good example of this is that somebody perhaps is doing a job for somebody, creating a product or a service. They don't care, at the end of the day, whether that works out or not, as long as they've got their money for it. Because they say,

[42] There are also views that this quote should be attributed to Zhou Enlai.

> ‘Okay, that 2 RMB in my pocket is guaranteed, and I don’t care if it’s going to be 100 RMB in the future, because that might not happen. So I will take my benefit now, which is my 2 RMB, put that in my pocket, and I will just wait for the next opportunity to make 2 RMB.’ Rather than saying, ‘Okay, I will take a risk, and wait for the 100 RMB.’ So, always, in everything, you have the two competing principles going on in a Chinese person’s mind.
>
> It’s completely historical. No matter how stable China is politically, there is always this big reserve in the mind that ‘What happens if things break down again?’ You only have to look at the whole of Chinese history, in fact, the opening words of *The Art of War*: ‘The empire long divided must unite; the empire long united must divide.’ So you have this even flow, all the way through … the most successful, longest dynasty is the Ming Dynasty, which was only about 300 years. That’s the longest period of continuous stability in all of China in its history. In between all of those times, and at the beginning and the end of those dynasties, there’s just been trouble. So people think, ‘What happens if tomorrow everything falls apart?’ That’s always in the mind of people. So they are looking for short-term gain. And that, as we discussed, [is]… about the velocity of return of capital. On one side of the equation, the person wants to get their money back as quickly as possible, so that money is retained as family wealth; rather than saying, ‘Let’s invest that for 20 or 25 years,’ because who knows what’s going to happen in that 20 or 25 years. But when you transfer the thinking onto the strategic and macro level, you have a very long-term view. For example … China’s attitude to Taiwan. China is not saying, ‘Oh, we’ve absolutely got to go and grab Taiwan and bring it back to China tomorrow.’ They will be quite content to wait for 30 years, or 40 years, or 50 years, or 100 years, as long as the pressure is going to bring Taiwan back to China … so that’s on that level.

One could perhaps argue that the short-terming thinking comes out of the drive to survive, which was discussed in *3.4.1.2.4.1 Survival*. But it is taking a pragmatic approach to the perceived ever-changing environment that has brought about such a survival instinct; while pragmatic thinking directs Chinese people to think long term, again, for the purpose of longevity and survival of the family and extended network.

4.2.4 Trust has to be earned

The manifestation of the pragmatic approach in the historical context extends beyond the coexistence of long-term and short-term thinking. Chinese people’s reserve in trusting others is perhaps another pragmatic form of self-protection. During many interviews, trust was a

frequently mentioned subject, often indicating that this reserve in relation to trust has a direct impact on business dealings.

Indeed, the importance of trust within a business relationship was alluded to in various sections in **Chapter 3**. In particular, *3.5.4.1.1.1 Lengthy timeframe to develop trusting business relationships* addressed the idea that no one should be trusted until proven trustworthy when entering the Chinese market. This particular section (*4.2.4 Trust has to be earned*) will explore several aspects of what this earned trust entails, and draws links to certain characteristics of 'how things are' described in **Chapter 3**.

4.2.4.1 No trust to start with

One of the key characteristics of the Chinese way of thinking, as identified by the informants, is that trust has to be earned rather than presumed. One has to prove to his or her counterpart that he or she is trustworthy, and is assumed to have an ulterior motive at the outset of the relationship building. One New Zealand senior manager explained:

> You should start with a point of view that that person is not your friend, and that's what Chinese people do, because, you know, after 5,000 years of history, Chinese mentality has heard every single sweetie word that can possibly be said.

A New Zealand business consultant gave the following comment when asked what the moral code in China is:

> Full of bullshit. Talk the big game, but deliver very little … overall, most people. Everyone talks how good they are. You need to pull back the curtains and find out…. So everyone is full of bullshit. I was reading … about the guy … from [a New Zealand firm operating in China] … he said something, 'Never trust a Chinese ever.' I think he is right, because the Chinese don't trust the Chinese.

Although one can try to gain a certain degree of trust via introduction by someone within the circle of trust, as alluded to in *3.4.1.2.2.2 Circles of trust – rings of guanxi*, this general lack of trust among Chinese has meant that a trustworthy business partner is the essential basis for business interactions. One New Zealand district mayor spoke about his impression of Chinese people's greater reliance on understanding and trusting a business partner compared to New Zealanders:

> I think it's probably more important for them to understand us, than [for] us to understand them, because [although] a lot of how the Chinese people operate is a

> mystery to us, they may [also] think that how we operate is a mystery, but they are more reliant on understanding and trusting us than we [are].

This different reliance on understanding and trusting a business partner may be due to the level and prevalence of corruption that exists in both countries. A New Zealand senior manager made a comment about where a starting point for relationship building should be, and said that it was difficult for New Zealanders to not have any trust to start with, due to there being less corruption in New Zealand:

> No. No trust. And that's hard for a New Zealander to do, because we tend to trust … because we don't have corruption in a way that … people that define corruption from a New Zealand perspective.

Another New Zealand senior manager gave similar advice based on his experience during the melamine scandal in 2008:

> I think the big single thing is don't believe. When people say it's the way things are done in China, don't believe them, even if it was Kiwis [who said that]. Work it out yourself … Don't trust anyone, really. You've got to go down to a great level of detail…. In the food industry, you don't comprehend that people would add additives to milk that would actually kill people. That's a hard thing to believe, I guess…. Be less trusting is probably good advice. Look at everything to a very high level of detail.

4.2.4.2 Earning a high level of trust

In this exercise of seeking trustworthiness, Chinese people rely on emotions and intuitions, as one Chinese senior manager indicated, whereas Westerners rely on laws. His point of view was affirmed by a Chinese managing director (interviewed in English), who explained that his purpose in giving a presentation at a meeting was to validate an intuition about whether the counterpart was trustworthy or not:

> Why [do] people have a presentation for the bidding process? It is not like you are trying to clarify everything … every single detail you have for your firm. Impossible. It will be tonnes of details to be discussed. There is no way to get everything addressed during the presentation interview. But the reason that you still need to meet that person is you are looking for the chance to get an intuition, whether you are going to trust that guy. Whether you are going to put all your future, and risk the future onto that guy's shoulders and let them lead you on your project. If you can get that feeling during … [the] one-and-a-half-hour time presentation, [then] the goal is achieved.

On the other hand, New Zealand entrepreneurs seem to rely on due diligence to confirm someone's trustworthiness. One senior manager of a New Zealand-owned international company explained the approach they take and the resources required:

> I think it's just about cross referencing everything that you hear. Someone will make a claim. You need to go and check it out … two or three different times, before you actually start to be in a position to believe or not.… We are a powerful brand up there. We are an attractive business for so many people. Everyone wants a slice of it. We've had hundreds if not thousands of companies approach us and tell us how good they are, and how they would be the best partner for us. We've had others who would come along and pretty much threatened us: 'If you don't work with us, and our relationships are so high.' These are very big organisations, so people working in isolation ... within the organisation, not representing the entity itself, but making quite aggressive claims about what they are able to do for us. Going behind and making sense of all of that, cross referencing … you see whether a business is legitimate, or whether it's just a fly-by-night business, or someone opportunistically having a crack. But it's [about] the time you need and the resource that you need to go and check all of that, and deal with all of those different claims, and make sense of it, in terms of your bigger strategy … just the resource to double check, triple check and quadruple check, and make sure what has been said is actually true.

Perhaps how trust is earned in Chinese culture compared to New Zealand cannot be over-simplified as above. But whether it is through emotions and intuition, or via law and due diligence, the level of trust that is required between business partners still needs to be very high. One New Zealand senior manager explained:

> You've got to have somebody you trust to play the game. With this person you are going to have strong confidence.... I am talking about [a] very high level of trust, as the same as the keys to your safe … otherwise you should be heavily involved yourself, because the last thing you want is a game being played around you that you are not aware of.

"Business partner[-ship] is about trust", as one New Zealand senior manager summarised it. The amount of effort and the resources required in the search and/or fostering of such a high level of trustworthiness desired of business partners are linked directly to the lengthy timeframe that such exercises consume. As a New Zealand agricultural consultant commented:

> There [are] plenty of challenges doing anything in China, that so much of it revolves around trust … trusting you, knowing you, trusting your judgement, and your advice. Building a relationship is so important, which takes a little bit of time.

4.2.4.3 Trust beyond business partners

Lack of trust is not limited to what is between potential business partners. It also has an impact on the way business transactions are done. A New Zealand business consultant talked about how Chinese do not trust the Chinese, and hence it is always 'cash up front' in business transactions: "How does it work in China? No one trusts anybody, so you put the cash down, and you get the product. It's normally a deposit up front, and then cash … that's how it works here."

Not only does trust play a big part in how business relationships are formed, and how business transactions are done, but it also has an impact on the internal relationships among staff members within an organisation. The degree of trust or lack of it within an organisation in China contributes towards the complexity of staff management for New Zealand agribusiness entrepreneurs. One New Zealand senior manager shared his experience:

> It's interesting that even in my own crew, from the day I arrived, over the next month, almost without exception, every staff member came to me and told me who in my company I shouldn't trust, so even between colleagues is this whole trust system into the very low level.

However, some New Zealand entrepreneurs seemed to achieve a high level of trust among their staff. One Chinese senior manager from that particular business commented that what they had within their company was very rare in China:

> I feel that in this company, we can all trust each other. When you have problems, you feel that people around you would all help, including the Chinese.... This kind of atmosphere is very, very difficult to form. Have you noticed that in many other [Chinese] companies that you go to, each person just looks after himself/herself? He/she would not care about anything else if it has nothing to do with him/her. Especially in some big companies, it is impossible to have this kind of atmosphere [that we have].[43]

[43] Original Chinese quote: 我觉得在这个公司，我们都能够彼此相互信任。你有问题的时候你会觉得周围的人都会帮你，包括中国人 … 这个气氛非常、非常难造就。你有没有发现去很多 [中国] 公司的时候人人都是为了自己，事不关己，高高挂起？尤其是一些大公司，不可能有这种氛围的。

Whether it is between potential business partners, or between business transaction partners, or within an organisation, the overwhelming message from the informants is that, without a doubt, trust has to be earned, not presumed.

4.2.5 Straight-line vs. inter-woven logics

Yet another manifestation of the pragmatic thinking of the Chinese people is their understanding of the world as being a place in which all things are interconnected. As a result, they use an inter-woven logic in their reasoning about things. A significant difference in the way of thinking observed by the informants when comparing Chinese people and New Zealanders is that Westerners, including New Zealanders, in general tend to think in a straight-line fashion, whereas Chinese are said to be "going round and round". One Chinese senior manager explained the differences that she observed between Westerners and Chinese in their way of thinking:

> I think Europeans all think in a straight line. A very simple example: if I tell two things at the same time to him [a European], he would not understand. But for us Chinese, even if I talk about 10 things all at the same time, there will be no problems. This is probably related to their social background and culture. They are all quite simple [people].[44]

Another Chinese senior manager further explained:

> For Chinese people, it's okay as long as I can achieve my goal. Of course I am not going to harm anything; it's simply going via some roundabouts, or through a particular person, a particular thing, to get this thing done. But it would probably be more straightforward for them [Europeans]: this is how it should be, so it will be … more clear-cut, black and white.[45]

The fact that some Chinese people see the justification of "going via some roundabouts, or through a particular person, a particular thing, to get this thing done" shows pragmatic thinking at work. As a New Zealand senior manager commented, "[In China,] as soon as someone makes the rule, half of the people will try to work out a way to get around the rule".

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[44] Original Chinese quote: 我觉得欧洲人都是直线思维的。很简单的一个例子，你两件事跟他同时讲，他是不明白的。我们中国人，十件事一起讲，都没有问题。这个可能跟他们的社会背景呀，文化呀，都是有关系，他们都是很简单的。

[45] Original Chinese quote: 中国人就是，我达到目的就行，当然我不是说损害什么东西，只不过说是绕绕弯子啊，或者是通过某个人，某件事情，来把这件事情办成了。但是呢，他们可能就更直接了，这件事应该怎么样，就是怎么样 … 黑白更分明一些。

This intertwined logic in which all things are connected is also reflected in Chinese people's business practices. A New Zealand winery owner gave a practical example of this:

> The other factor of cultural differences, is the way business is done in China. The networks of wealthy businessmen ... I make furniture, so my customers will buy wine from me. We even have a couple here who make steel. Most of the steel went to hotels. Oh, hotels sell wine. They wanted to import our wine. And there was a lot of that [in] 09, 10 and 11. Huge!

Despite this difference between Chinese and Westerners, some informants believed that there are values that can be learned from each other. A New Zealand senior manager suggested that some compromise should be made between the two different approaches by learning from each other:

> I think there is a compromise between the two. One of them is probably a bit too rigid, and the other one is too loose, so somewhere in the middle there, you have some ways of learning from each other. And we don't. We think we've got the best system, and Chinese think they've got the best system, so there is a bit of discourse between the two of us.... We've got rules and they've got rules. Why don't we look and see what advantage we can make of both of our rules, so that it works, instead of saying, we must impose it.

Whether or not a compromise should be made was not agreed on by all, but many informants did observe that this difference in the way of thinking also had an impact on how people communicate. This was alluded to in *3.5.2.1 Communication*, where it was indicated that informants found that communicating with Chinese business partners is not always straightforward. This style of communication, however, is not limited to between business partners. Within an organisation, between employers and employees and among staff members, the communication style was also said to be less straightforward and transparent. One Chinese senior manager working in a New Zealand-owned firm commented:

> I think the communication with a Chinese boss is not that carefree. I cannot do it like I do with a foreign boss, communicating openly … because perhaps we Chinese have been influenced too deeply by Confucianism, the higher level the boss is, the harder it is to judge his emotions, very difficult. Even through what he says, you cannot find out what he wants to do. Yesterday I heard this on TV: 'I think he said a lot. But when I thought about it carefully, I felt that he said nothing.' Sometimes I get that feeling. [You] always have to think, to guess, to analyse.... I mean, perhaps for a lot of his thinking, he would have a lot

> of concerns, and therefore cannot be made that clear. Many of the ways … things are done cannot be said very clearly. I am not sure whether it is for not claiming responsibility, or trying to balance, or something else. Just that it would always make you guess, make you think, about whether it was done right, about whether it was done well. [It is] very tiring.… Over here [where I currently work] they are very open … you don't have to go around so many circles in your thinking.[46]

Communication among staff members was a similar story:

> Over here [where I currently work] it's very simple.... [In the Chinese company that I used to work for], it's too complicated!... You have no idea when you would annoy somebody! This person all of a sudden would be very nice to you; all of a sudden would be nasty to you. You just don't know.[47]

Arguably, this less straightforward style of communication is also a product of the lack of trust discussed in *4.2.4 Trust has to be earned*. Moreover, perhaps the combined effect of the lack of trust and the interwoven logic explains some of the social behaviours discussed in **Chapter 3**, such as wearing social masks.

4.3 Value Systems

Apart from the world view and ways of thinking that helped to explain the characteristics of 'how things are' described in **Chapter 3**, informants also talked about various value systems that exist in China, which could also provide some insight into 'why things are the way they are'.

4.3.1 Integrity

Despite the prevailing impression of corrupt business behaviours in China, along with the numerous food safety scandals that have occurred in recent decades, many informants believe that integrity is highly valued in China and is worth adhering to. A Chinese senior manager shared

[46] Original Chinese quote: 我觉得可能沟通上没有那么畅快，和中国的老板。我不能像跟国外的老板这样，那么畅所欲言 … 因为我们中国人可能受那种儒家的思想影响过深，尤其是做到越高层的老板，你判断不出他的喜怒哀乐，很难。你甚至从他的言语当中，你不知道他要做什么。我昨天从电视上看到："我觉得他说了很多，但是我仔细想想，又觉得他什么都没说"。有时候就会有这种感觉。[你] 就老要去想，去猜，去分析 … 就是说他很多想法，他可能有很多顾忌吧，不能说得那么明确。很多做法呢不能说得那么明确；也不知道是为了免责呢，还是为了平衡呢，还是为了干嘛呢。就是老让人得猜，老让人得去猜想，做得对与不对，做得好与不好。挺累的 … 在这儿 [现所在公司] 他们很 open … 思维上不用转那么多圈儿。

[47] Original Chinese quote: 这儿 [现所在公司] 很单纯 … [在原来工作过的中国公司里] 太复杂了 … 你都不知道什么时候，就把个人得罪啦！这个人突然对你好，突然对你不好。你不知道啦。

her belief in doing things the right way: "I think we need to be a good person, then we can do business."[48] This was affirmed by a Chinese managing director (interviewed in English), who commented:

> I see the world, even though there are people [who are] Muslims, Buddhists, Baptists, but the basic value should be more or less the same: integrity, honesty, trying to be kind. I don't think there is too much difference in that.… The language that people speak, a lot of times we are talking about … technical things.… English, Italian, Chinese, French, that's the technical part, but the true part, there is only one human being language, it's the value part. As long as you stay with the value part … technical part is easy. iPhone can translate for you now. Why bother? So, that is my belief. Be a good person. Meet a good person.

Another Chinese senior manager made a similar comment:

> I think as humans, if we treat each other with sincerity, there is actually not a lot of difference between us [Chinese and Westerners]. Sometimes, even when a 3-year old child looks into your eyes, he would know whether you are sincere or not. The key is whether you are sincere or not. If you don't clown him around, he will take you seriously too.[49]

A New Zealand senior manager also saw commonalities among business people from both countries, particularly when it comes to the attitudes towards politicians:

> Their [Chinese people's] drivers may be a little bit different, or the way they go about it. But at the end of the day, they are business people. Even at a political level, an informal level, they are as disparaging or distrusting of politicians as anyone else that I've met around the world. It's not, 'Oh, no. They are great leaders. They are closer to God.' That's not like that at all. 'So-and-so is useless. He is corrupt. He would have done better if he'd done such and such.' So, that sort of political debate happens, which is almost kind of reassuring.

From the employee's perspective, a business operated with integrity was said to be a place that informants liked to work for. One Chinese middle manager commented:

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[48] Original Chinese quote: 我觉得还是要先做人，再做事。
[49] Original Chinese quote: 我觉得人哪，如果说是真诚相待，似乎差别都不会太大 … 有的时候，你就是一个三岁的小孩看你的眼神，他也知道你真诚不真诚。关键在你真不真诚。你不要敷衍他，他也会认真对待。

> For me, if I was to go into a firm, of course I would like the type that has very high integrity. It would be as if the company is like a person, who's got high integrity. Anything he does would need to be fair, and he would be very willing to help others, not just to earn money, to make a profit. Otherwise it would be meaningless.[50]

In these comments made by the Chinese informants, integrity meant something beyond just not engaging with corrupt behaviours. Being fair to others, particularly employees, and not compromising food safety for the purpose of financial gain were all part of this concept. It is possible that government and business operations are now forced to show greater integrity due to the wide information sharing on social media, as alluded to in *3.5.1.3 An evolving environment*. But then it is the wide appreciation of the value of integrity among Chinese people that empowers social media to have such an impact on these operations. One New Zealand senior manager gave his explanation of this wide appreciation: "The people here are not corrupt.... The corruptions [are] in the officials."

Another example of this appreciation of integrity among Chinese people is shown in their attitude towards New Zealand after the melamine scandal in 2008, as one New Zealand senior manager explained:

> New Zealand was considered to be the hero in that … because Helen Clark had been the one person who blew the whistle on it. No one cared that Fonterra was a major shareholder in Sanlu.… Well, if Kentucky Fried Chicken has a huge food scare in New Zealand, you wouldn't care who the shareholders were, but you would care about the person who actually made it public, and that's what happened, I think, in China.

4.3.2 Win-win

The term 'win-win' was often used by various informants as the outcome that people value and want to achieve in a business deal. For example, a New Zealand senior manager explained what they want to achieve when developing farms in rural China:

> What we are trying to do is [to] say … 'There is work for you if you want work, but also, if you continue farming, we want to work with you to help your crops get better, and to basically be your main customer' … so very much trying to make that a win-win.

[50] Original Chinese quote: 对于我来说，如果我去某一个企业的话，当然我喜欢那种很正直的企业。就感觉这个公司像一个人一样，很正直的。[他]做什么事情都讲究公平，然后会很愿意帮助其他的人，不是说光 … 赚钱，… 拿利润。这个就没有意义。

Sometimes this win-win goes beyond just the financial gains of both parties. One New Zealand senior manager explained that New Zealanders need to show a willingness to be part of the local system, the local environment:

> Let's get together and spend time with people in the village, and ask, 'Okay, what are the issues in front of you? Anything, let us know, so that we can try and work within the framework that we are trying to work [in], so that we can help you.' It might be that they want something done with the local school. Okay, we can, as a company … come in and put new windows in the building, or whatever. It doesn't matter. Probably a poor example. But it's that sort of thing, so that we are showing them that we are truly part of their system and their environment. We are not there to simply take, which is unfortunately what my colleagues in New Zealand want to do. It's just simply take, take, take. No. That's why I always refer to it as 'Leave a little bit of salt on the table'.... It's about saying, 'We are part of you, or trying to be part of your society.' We will never become fully integrated. But we want to say, 'Look, we are doing business with you, so let's see what we can do to benefit each other. You might help us by growing more fruit. Okay, we can help you by doing other things. We might be able to provide you with school books for your kids.'.... We are [trying to be] part of the community. That's all.

But win-win is more than just both parties achieving satisfactory outcomes. It is about each party wanting the other to prosper out of the business relationship, as one New Zealand business consultant explained:

> Win-win is each party wanting the other side to do well, so it isn't, 'I want to have my win, and they can have theirs as well.' That's the wrong thinking. If you don't have the win-win the way I defined it, then you get contracts that are not durable. People think that 'Oh, I got slightly screwed in that negotiation. I didn't know it at the time, but it turns out that I got the short end of the straw,' and they look for ways to get out. So if you want something that is going to survive long term, each party must want the other to win, not just at the time of the negotiation, but during the period of the validity of the contract. That to me is something the Chinese have always understood, and Westerners are just coming to realise how important that is. Americans still say, 'Here is the contract. I am going to enforce it to the letter, even if we smash our relationship and the business that we are doing,' because they have this mental model, that a business is like a sports game, with a winner and a loser. Chinese don't have a winner-and-loser mentality in business. They want to work profitably, but they know that they need to have stakeholders that are

> pleased with what's going on – suppliers, stakeholders, customers, they all need to want to be there long term.

In this exercise of seeking a win-win outcome, New Zealanders were perceived by some informants as being pragmatic, which is perhaps a helpful trait for doing business with the Chinese. One New Zealand senior manager commented:

> What I have concluded more recently is that New Zealanders are really quite pragmatic to the point that … commercially … they give up a little bit relatively quickly. Pragmatic to the extent that they'll look at a situation, and say 'win-win' is here. This is where the balance lies, and they get there quite quickly. From here to here, we give up quite quickly because we expect the other person also [to] give it up quite quickly, because pragmatically that's where the deal sits, that's where it should sit. In other cultures, I think, Australians are different, Americans are different, French are different than the Italians, [and] Koreans are very, very different. People are slower to give, to concede, [and] to get to the win-win point in different cultures. I think we are very quick.
>
> But I think once we get there, we won't keep going … as quick as we are to get to a fair point, we are not quick to concede beyond the fair point.… But it does accelerate the process by recognising 'This is the point.… We are here … and this is where they will get to, and that will work'.

This appreciation of a win-win outcome by the Chinese people could perhaps explain why they try to avoid conflicts, where there are typically winners and losers. Chinese people's tendency in avoiding conflict was discussed in *3.4.2.4 Conflict avoidance*. But perhaps to find out what sits behind the motivation for a win-win outcome requires going deeper into Chinese people's world view, which will be discussed in **Chapter 6**.

4.3.3 Commitment

Informants observed that commitment and loyalty are highly valued by Chinese people, particularly when it comes to agribusiness activities. One New Zealand senior manager explained the reasons for his choice of committing to live in China:

> Particularly in agriculture, probably for a lot of things, if you are not here, you can't do it. You've either got to commit yourself to China, or not do it. I was coming backwards and forwards, it really wasn't getting anywhere. Chinese are incredibly hospitable people, they look after you, make all the right noises, but nothing happens, especially in that type of

> thing. So I saw pretty clearly that if you want to actually do something in China, you had to live here, or spend a lot of time here.

He also shared his experience of when he first moved to China to live and work:

> When I moved to China ... there was a very interesting thing happened.... As soon as I said that I'm moving here permanently, everything changed. All the attitudes changed to me. It was actually quite interesting to see what happened.... I told them I've rented my house out, this is now my home. You could just see people's attitudes just changed. Not that before … there was any problem. But it was quite marked.... Once they saw that you were willing to make a commitment, now we start talking seriously. And of course, the longer I stay here, the more important that becomes, because as far as Chinese are concerned, you've made a commitment. They just don't like people that come in and out, in and out.... Especially if you are trying to develop something in China, you've really got to be here.

Genuine commitment was also recommended by some Chinese informants. A Chinese senior manager gave the following answer when asked to give a suggestion to New Zealanders wanting to do agribusinesses in China:

> I think they need to come and do it, not just talk about it. You need to really let people see your actions … [bringing in] technologies or money.… Although New Zealand talks about investing in China, so many years have gone by, I have not seen real stuff coming in. Perhaps they still have many concerns.[51]

A New Zealand senior manager felt that one of the roles of expatriate managers in China is being there and showing the local government their commitment:

> A lot of [his] … role, as I say, when you are establishing a business anywhere, is actually being there, and consistently being in their face, so that if you can't get a meeting today, you come back tomorrow. If you can't get a meeting tomorrow, you come back the next day. I think we've gained a huge amount of respect because the local government have realised that we are actually committed. We are not just popping in on a plane, saying hello and going again. He [the manager] is actually there, pushing things forward.

[51] Original Chinese quote: 我觉得还是来做，不要一天只是说。你要扎扎实实让人家看得到，你确实拿出行动来在这里做了 … [带来] 技术也好，钱也好 … 新西兰虽然说要投资中国，但是那么多年下来，我看没有实实在在的东西进来的。他们可能还是存在这很多很多的顾虑的嘛。

4.3.4 Simplicity and security

Much of **Chapter 3** depicted a complex environment in China, even without the unique challenges of doing agribusiness being taken into account. The complicated social hierarchies, the variety of responsibilities that one has for people within the *guanxi* network, and the many implicit social rules and nuances make many Chinese people long for a simple life. This simplicity has two aspects, which are inter-related. On the one hand, it refers to a minimalistic attitude towards life. One Chinese managing director, interviewed in English, gave his interpretation of a simple and happy life:

> If you don't think about anything, … [then] you would have … a very easy life. Who is the happiest? I see the workers in our crew. They work in the field, in the mud, doing their job … when the whistle for dinner comes, they come back, take a quick [shower], and show up in the canteen. Big bowl of rice, with pork and vegetables, then they [go] back to the dormitory and … they have a wonderful sleep. That's a true and simple way of being happy…. Are they getting more money than we do? No, they are getting less. But their quality of happiness is [greater] than mine, so they are rich in [another] way.

On the other hand, the simplicity that many Chinese people long for involves there being less complexity in the social dynamics they live and work in. A Chinese senior manager described the New Zealand firm she was working for as a simple place which attracts employees: "It's very simple here…. [For the employees,] what's attracting them is the environment here; it's the simple atmosphere where they are able to understand each other and communicate with each other.[52]

This valued simplicity is also reflected in the business dealings between Chinese and New Zealanders. When asked what the good things are when it comes to dealing with foreigners, one Chinese senior manager commented:

> It's simple! You see, if I was dealing with Chinese, I would probably be … more on guard. Chinese are more complicated! Will he somehow 'jump the fence'? It is better with foreigners, because you don't have to worry. As long as we sign this agreement and put it there, nobody needs to worry. Perhaps at the start of the negotiation it can be quite difficult, but once it's negotiated, and the agreement is there, then everybody will surely do things as stated in the agreement.[53]

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[52] Original Chinese quote: 这儿很单纯 … [对员工来说] 吸引他们的是这个环境，是这种互相理解、互相能沟通、很单纯的这种氛围。

[53] Original Chinese quote: 简单嘛！你看我跟中国人打交道，可能就比较防得起来，中国人就比较复杂么。他会不会又怎么跳墙呀？跟老外就好，你就不用担心。只要我跟他签个协议，摆在那里，大家

There are times, however, when this simplicity of New Zealanders causes frustration. "Kiwis … [are] direct and simple. Too simple," one Chinese senior manager commented. A New Zealand senior manager further explained: "Our simplicity turns into frustration for the Chinese, because we can't unravel the complexity." Indeed, this frustration is not just limited to the Chinese side, as many New Zealand informants found the complex social dynamics in China difficult to navigate, which was alluded to in several places in **Chapter 3**, such as *3.3.2.1 Bureaucracy*, *3.3.2.3 Flexibility in practices of the law*, and *3.4.1.2.2 Guanxi*.

Although the direct and simple nature of New Zealanders can create frustration, it equally creates security, which many Chinese long to have. A New Zealand senior manager explained this from a company culture perspective:

> Company culture is so critical in China. It's an easy gain for New Zealand businesses to get, because … New Zealand has [a] great culture as a nation, in terms of honesty, in terms of integrity, and in terms of transparency, and all that kind of stuff.... It's kind of our moral fibre. And I say that with absolute certainty. It's something which we take for granted. But when you come to a place like China, that's not grounded at all.... For people [who] come to [company name], they really sense there is something different here. I asked my staff why they've been here so long. The big part of the reasons is that they feel safe here. They feel actually in here what you see is what you get. There are no games, there are no politics, there is no bullshit beyond or behind the scenes, there is no *guanxi*, all that. Any time I see games going on, I jump on it. You just crush it, stop it now. Now we've got enough people at the top who are used to that, and they actually don't buy into that. We've kind of passed that now, it's not even an issue … when there are new senior incoming people, that's the only time we've got to be really cautious.

This comment was affirmed by a Chinese middle manager from the same business, who said:

> One of the greatest benefits of this company is that you have a sense of security here. You feel that people around you are not thinking, 'What does he think of me?' or 'Why does he say bad things about me?' every day. It won't be like that. If you've been here for a while, you will notice that everyone here is very simple and genuine. Real![54]

不用担心的。但是开始谈的时候，可能很难谈，但是一旦谈成了，这个协议摆在那里，大家肯定就会按照那个协议去做事。

[54] Original Chinese quote: 在这个公司最大一个好处之一，就是很有安全感。你感觉身边的人不会天天去想，'他怎么看我'，或者'他怎么说我不好'，不会有这样的。你待时间长了你就会发现，每一个人都挺朴实的。实在！

Whether or not this approach of the New Zealand employer not allowing 'games' is going to be sustainable in the long term is a different matter. But the above comments show that there is a connection between simplicity and security in the Chinese mind. The value of security can perhaps also help to explain some social behaviours discussed in **Chapter 3**, such as *3.4.2.4 Conflict avoidance*, and certain social institutions, such as *3.4.1.2.4.1 Survival*.

This value of security may also explain the choice made by some Chinese of living outside China yet still doing business with China. One New Zealand winery owner gave the following comment about their Chinese business partner, who is based in New Zealand, and how he took advantage of this set-up for his own business operations:

> I think that [living in New Zealand] is a major difference [for them], because they have security here. They've got their business; they've built up a network and assets. They have security. And I don't think they are in that same environment [as other Chinese living in China] … at all. And that's probably a good thing for us, that we can build the business, and they are our shield in a way between what's going on in China, and because of their knowledge of the culture, and how people operate in China. There [is] in-depth knowledge that's very beneficial.

4.3.5 Equality and fairness

Within the hierarchical society that informants observed there is a desire for equality and fairness. A Chinese middle manager explained what she likes most about working with her two New Zealand employers:

> I think they don't at all seem to be putting themselves up there as the bosses. They are very amiable and [that makes me feel] very comfortable. I think [a Chinese boss] has a little bit of 'I am your boss, so you must listen to me.' When I was at school, I used to work on some part-time jobs in some Chinese companies. They gave me the impression of 'You must listen to me.' But here I think it's different. Any suggestion that we have, we dare to speak it out, and they will listen. They very much respect us … and will not … tell you off, and make you very uncomfortable. I have been here for all this time, and never felt that way.[55]

[55] Original Chinese quote: 我觉得 … 他们一点儿都没有老板的架子。所以特别亲切，特别舒服 … 我觉得 [中国老板] 有一点，'我就是老板，你一定要听我的' 。… 我上学的时候也在中国的一些企业里做过一些兼职，印象里他就会'你一定要听我的'，但是在这里就不是了。我们有什么建议都敢说出来，他们都听。很尊重人 … 不会 … 讯你呀，让你特别不舒服啊，我在这儿这么长时间，从来没有过。

One of these two entrepreneurs offered his opinion on how and why they have adopted such an approach:

> We really believe that whoever shares the hardship needs to share the fruit of the labour.... We have hundreds of ways of rewarding people.... I guess it comes down to ... the fundamental element for me is to show these kids that 'You have value' for the business as an individual. Everybody wants to feel valued. These guys are single [only] children typically. They've spent their whole life feeling valued by their family, so that's the norm for them. Instead, to feel unvalued [in a typical Chinese business] is very strange and traumatic to them.

This desire for equality also leads to a longing for fairness, or perhaps more precisely a resentment of unfairness. One Chinese senior manager made the comment that many people in China have a strong sense of unfairness, which she further explained:

> He [who senses unfairness] has a strong sense of imbalance [unfairness, injustice]. He thinks that '[For] some people, he is not better than me in anything. Perhaps because he had an opportunity, or has some special power, he suddenly leapt to the sky in one step.'[56]

This yearning for equality and fairness could be a consequence of a hierarchical social structure and the complex *guanxi* network within it, as well as the weakness of the legal institutions where there is no separation between legislation and judiciary; and recognising that it is only a yearning and that reality is otherwise could perhaps also explain why Chinese people resort to a *guanxi* network for their own advancement, because they perceive it as the 'game rule' and the way forward in real life. How *guanxi* networks functions was discussed extensively in **Chapter 3** under *3.4.1.2.2 Guanxi*.

4.3.6 Confidence and pride

Some informants observed a growing confidence in China as a nation and its people as having an enhanced self-identity. One New Zealand senior manager explained the changes he had observed:

> China is going through a dramatic change at the moment – well, for a long time. If you look politically, economically and culturally, it's changing. The fundamental thing that you've got to keep in mind here is, these people don't like foreigners. Foreigners have screwed this country for over 200 years, and they are not going to allow it to happen again.... China has a

[56] Original Chinese quote: 他有一种强烈的不平衡感，就觉得‘有些人，他也没比我强什么，他可能就是因为一个机会，或者有点儿特权，一下子就一步登天了’。

> level of self-confidence, which is being promoted by the West. You know, when you tell the person that you are going to save the world's economy, they actually start believing it. So you've got to be really careful as a foreigner, what can you bring here? What can you do? And I find it even with myself. When I first came here, people would listen to me. They actually don't listen that closely anymore, because 'We don't actually need … those [foreigners] to tell us what to do all the time.' And you can just see it in very subtle ways all the time.... China is becoming much, much more focused on China. In their government policy, 'We have to develop [the] domestic economy,' not an economy based on export and cheap labour. It's not going to go anywhere for this country. You watch the decisions that have been made: it's all about what's good for China, and they will still accept foreign input and that, but I think the attitude to it has changed, and if you are not very careful, you won't make any progress, or you will potentially lose out. It is getting increasingly hard to get the ideas across. So it's a new trend.... This is an incredibly self-confident country now. You are seeing it exercise[d] in all sorts of ways now. 'So why should we listen to foreigners. All they do is to give us crap. All they've done is to lead us crook for 200 years.' And if you think about it, it really [is] only the last 10 or 15 years that they've actually got beyond that point.

This perception was echoed by a comment made by a Chinese senior manager:

> We need to learn to say 'No' to foreigners. We can't always just say 'Yes'.... This is because Chinese do have a bad habit of worshiping foreign things. Now we have more and more foreigners coming in. Some people are still very curious about them, but it's not the case for us anymore.... For a foreigner who is here, if I can help you, if I can let you have something, I will do my best to; but if it was a matter of principal, we still need to learn to say 'No'.[57]

This confidence and pride in their own identity can perhaps explain some social behaviours described in **Chapter 3**, such as *3.4.2.1 China/Chinese-centric*, which indicated that for anyone who want to do business in China, the Chinese 'rules of the game' must be followed.

[57] Original Chinese quote: 我们跟老外要学会说‘No’，不能永远都是‘Yes’… 因为中国人崇洋媚外的思想是比较严重的，但现在的就是说因为来的老外也比较多了 … 对很多人来说还是很稀奇，但是对我们来说就不稀奇了 … 做为一个老外在这里，我能够帮你的，我能够让你的地方，我还是尽量让你的，但是如果是原则性的东西，我们还是要学会说‘No’的。

4.4 Summary

This chapter provides insights from informants on 'why things are the way they are' in China. It is by no means an exhaustive explanation of everything that was described in **Chapter 3**, but it does illuminate certain perspectives for further contemplation and will form the basis of discussion in **Chapter 6**.

4.4.1 World views / ways of thinking

Informants believed that one must attempt to understand China from a historical perspective and study its history from no later than the Warring States Period (475 to 221 BC). Communist influence was merely a blip in the context of a country that has evolved over several millennia, and the impact of Confucianism still extends deeply into Chinese culture, leaving a society that remains highly hierarchical. Over this long history people in China learned to embrace a very pragmatic approach to things, and this way of thinking is reflected in how Chinese people adopt new ideas, how the government regulates society, and how they do business. This pragmatic approach may have also led to long-term and short-term thinking coexisting in the Chinese mind, given that the future is always deemed unpredictable and ever changing.

Another manifestation of Chinese people's pragmatism could be their reserve in trusting others. In business dealings, in particular, informants believe that no trust should be given at the start of a relationship. While Chinese rely more on emotions and intuition and New Zealanders more on law and due diligence to gain trust, the level of trust that is needed between business partners should be as high as "the keys to your safe". Informants pointed out that this general lack of trust also means that many business transactions in China are done cash up front; it also means that staff management can be challenging, but a trusting work environment is highly appreciated once it is achieved.

The pragmatic way of thinking of the Chinese people may also influence them to see things as interconnected, causing a preference for using inter-woven logic and leading to what New Zealand informants perceived as roundabout ways of doing things. Westerners or New Zealanders, on the other hand, were seen by the informants to be mostly following a straight-line logic. These different logics may help to explain the communication difficulty that exists both between New Zealanders and Chinese people and among Chinese people themselves, which informants have observed. This difficulty is particularly pronounced when it comes to people from different hierarchies, such as employers and employees. Combined with the general lack of trust, this inter-woven logic of the Chinese people may help to explain certain social behaviours, such as wearing social masks.

4.4.2 Value systems

Despite the prevalence of corruption in China, informants observed a high level of appreciation of integrity. Non-engagement with corrupt behaviours, being fair and honest, and not compromising on food safety are all characteristics that informants associated with business operations run with integrity. With these business operations, Chinese people seek to achieve win-win outcomes, though not always in monetary terms, particularly when rural development is involved. Informants also pointed out that this win-win goal not only means that both parties benefit, but also that each party wants the other party to thrive from the business relationship. Compared to people from some other countries, New Zealanders are believed to be pragmatic in reaching win-win points in business negotiations with the Chinese.

Commitment is another value that Chinese people regard highly, as indicated by informants. They also believe that commitment is what is needed to succeed in business ventures in China, particularly those in agriculture.

In their effort to make sense of this complex environment, Chinese people were observed by the informants to appreciate simplicity, involving a minimalistic attitude towards life where complicated social dynamics are made simple. While the perceived simple nature of New Zealanders can create frustration and difficulty for business dealings with the Chinese, it also creates security, particularly for Chinese employees working for New Zealand-culture-dominated companies. The values of both simplicity and security can perhaps help to explain Chinese people's tendency to avoid conflict and their effort to survive.

Yet simplicity and security are not the only characteristics of some New Zealand-operated businesses in China; equality and fairness within the cultures of these companies are also highly regarded by the Chinese staff who were interviewed. Nevertheless, the very things that made these Chinese staff appreciate equality and fairness − the power of hierarchy and the *guanxi* network − reveal the importance of *guanxi* within Chinese society.

Lastly, informants observed a growing level of confidence in China as a nation on the world stage, leading to a changing attitude towards foreigners and foreign investments in China. Chinese people take pride in the achievements of their long history, and are said to have recognised the wrongdoings that Westerners inflicted them over the past 200 years. Their confidence and pride to say 'No' to foreigners can perhaps help to explain the China/Chinese-centric social behaviours described in **Chapter 3**.

The informants' interpretations presented in this chapter will be further discussed in **Chapter 6**, where they will be linked to existing theory. Before embarking on that discussion, informant recommendations for New Zealand entrepreneurs wanting to venture into China, or deal with the Chinese, will be presented. These perspectives are presented in **Chapter 5**.

Chapter 5

Research Results III:

Agribusiness Pathways in China

5.1 Introduction

During the interviews, informants were asked to give their advice on how New Zealand entrepreneurs should go about their business dealings when venturing into China or doing business with the Chinese. This advice touched on various aspects of business dealings. **Chapter 5** is dedicated to presenting this advice from the perspectives of market entry, value proposition, relationship building, business negotiation, agribusiness operations, and understanding the power game. Extensive quotes are once again utilised to demonstrate the internal and external validity, as well as the reliability of the emergent insights. There is also an extended summary at the end of this chapter.

5.2 Market Entry

To many New Zealand entrepreneurs the Chinese market is a complex minefield that remains daunting and unfathomable. Informants offered some practical advice to conquer such a fear.

5.2.1 Find the right partner(s)

While they might differ on some suggestions, the majority of the informants pointed out that finding the right partner(s) is absolutely crucial for doing business in China. As one New Zealand business consultant commented, "You can't do it yourself. You can't do it at all.... That's the rules of the game". And as one New Zealand senior manager stated, "The fundamental necessity [is] to find the right partner.... Seriously, you've got to be up here.... to try 20 different people, different companies."

Similarly, a New Zealand winery owner, who is a Chinese, advised that New Zealand businesses that want to get into China should use local contacts to open the market. A New Zealand senior manager elaborated further: "[The] principal of finding the right business partners … [is] universal.... But I think it applies more in China, because the consequences here of getting the wrong business partner are greater."

Finding the 'right partner', however, can be easier said than done. A New Zealand senior manager recommended approaching those who had experience in China as the starting point:

> It's a matter of working [through] … a lot of expats, NZTE[58], a lot of the government people all … have connections … so there is that experiential approach, where you can actually find

[58] New Zealand Trade & Enterprise, a government body.

> connections who know connections who know people, and that's probably the front end of what … people should do.

Another New Zealand senior manager gave more specific advice:

> There a number of companies that are there … NZTE has a *Doing Business in China* booklet. That's got a list of recommended people who do those things. Talk to trusted people that are already on the ground in China.… Most New Zealand companies have got relationships here with an auditor, Deloitte, KPMG, whatever it is. They've all got offices in China, and they will give you advice … as well as NZTE. There is local New Zealand business communities … [a] KEA[59] network on the ground. So all those people have got experienced operators in China. They will be the sort of guys to give you names.

Although these names might be the starting point for a business venture, what these experienced China-hands can offer goes beyond just the names: they help to decipher the myths and complexities within the business dealings, and therefore inform decisions about who might be the right partner(s). A New Zealand senior manager explained in detail the value that these experienced China-hands bring to their business:

> What I've taken a lot of comfort from … is that we've got a handful of people who have helped us to make sense of it. Local Chinese experts, or experts on China, who have sat there and said, 'This is the situation you are dealing with right now.' We look at it through our eyes, and go, 'Man! That's complicated.' Then you look at it through an expert's eyes, and they'll say, 'Yes, it is. But it's not really. This is what's going on.' And you go, 'Okay … that kind of makes sense.' And you know that you've got at least a pathway forward.

Informants also suggested that New Zealand companies should utilise more of the Chinese immigrants within New Zealand, who still have connections back to China, to help open up the market. As one New Zealand senior manager commented:

> I think New Zealand now can benefit from its Chinese community that it's got in New Zealand, because people like you [the researcher], who were born in China, and … young people can be recruited out of that community, and help New Zealand companies grow business in China.

Another New Zealand senior manager gave a more specific explanation:

[59] Kiwi Expatriate Association.

> I don't think New Zealand makes enough use of people like yourself [the researcher], who are basically New Zealanders in heart now, but are still basically linked back very strongly to China.… But they are your person, who you trust, and have spent a lot of time building that relationship, so that when you do get into these meetings, you can say after the meeting, 'You realise what was going on in that meeting?' 'Oh, I didn't understand it at all.' Whereas you've got the eye, because that's your background, and you know how these things are operated.

In this demystifying exercise of finding the right partners, one New Zealand senior manager suggested that a partner needs to be relevant and offer some value:

> I think you've got to be very selective in terms of your partners.... You need them to be relevant, and you need them to be offering value. Unless they are going to sit there and be silent in your business, then you need some kind of synergy. If they've got some kind of downstream or upstream synergy that they can offer to your business, then that brings … value.

A Chinese senior manager spoke about what was essential in a potential business partner from the perspective of integrity:

> I think for them [New Zealanders] to come to China, they really need to find a good partner. This is essential for them. Even if it's in China, it's still the same. If you [the partner] say one thing and do another, this will surely fail. You see, my success in collaborating with New Zealanders is really because we have both found a good partner.[60]

> You've got to work it out during the process.… Any project, the key is to decide on the person, not the project. No matter how good the project is, if you haven't got a very good person to operate it, the project is still doomed to fail. Anything you do is like that, be it in China or overseas, I think.... No matter how good the project is, if the person is not right, I'd rather give up this project.[61]

[60] Original Chinese quote: 我觉得他们来中国，还是要找到一个好的合作伙伴，这一点对他们 [新西兰人] 来讲非常重要的。包括你在中国也是一样的，如果你 [合作伙伴] 说一套做一套的话，这个东西绝对是要夭折的。你看我跟新西兰人合作能够成功，还是真的是双方都是找到了一个好的合作伙伴。

[61] Original Chinese quote: 那你要在做的过程中自己去看了嘛 … 任何一个项目，关键是决定这个人，不是决定这个项目的好坏。这个项目再好，如果不是那个很好的人来操作的话，这个项目也是要失败的。任何事都是这样的，在中国，在国外我觉得都是这么回事 … 你这个项目再好，如果那个人不行，我都宁愿放弃这个项目。

With or without the help of New Zealand expatriates, searching for the right partner(s) for a long-term success is somewhat like dating, as one New Zealand business consultant commented:

> Chinese has one wife, and many mistresses…. When you go to China, if they are interested, at first you are just their mistress, you are not their wife … and mistresses can be discarded, but the wives stay forever.

5.2.2 Alignment

Sitting alongside finding the right partner is having alignment. This alignment is three-fold. Firstly, the business venture in China must be aligned with government policies in China. This is particularly the case when it comes to food- and agribusiness-related ventures. One New Zealand senior manager explained:

> Agriculture is a sensitive sector because it involves land. And anything that involves land in China is … sensitive, because it's about peasants and farmers, so politically has a lot of issues attached to it. But again it's making sure whatever you are doing, there is some alignment. [In] everything we are trying to do, alignment is very important, making sure that our developments are aligned with core policies, so that helps with a lot of regulatory stuff.

He further explained what this alignment involves and how it is particularly helpful when dealing with government officials:

> They [government officials] all tend to sing the same Party line, sing the same song tune. It doesn't mean that they will all sing it at the same time, all singing in harmony. They all have different views on how things can be done. So number one is making sure that you have enough influence within the big picture, so that these guys aren't going to stonewall you. And that comes down to number one, having an enterprise that is relevant, having an enterprise that has some scale, and an enterprise that is seen to be doing good things inside your sector, but also adding to the economic growth of the province…. We are very fortunate, that … inside our sector we are very relevant. We have the scale, and it's continuing to grow. And we contribute, add a lot of value, not just in terms of our economic activity, but in terms of what we do − transfer of technology, and helping the local farmers, and bringing new varietals in, and all these sorts of things. So there is no reason for people not to support us through the long term.

The second aspect of alignment is that between potential business partners, where their interests align in terms of what each party wants to achieve out of the business venture. This is largely

achieved through the exercise of finding the right partner discussed in *5.2.1 Find the right partner(s)*.

The third aspect of alignment is having alignment within the business, because this provides unity and therefore reassurance for potential business partners. One New Zealand senior manager explained:

> Certainly it's important … that you actually know what it is that you are trying to achieve. You can't go into a meeting without knowing what you want to come out having achieved … so very clear messaging around things is important. And the other thing is being very consistent, so whether they are talking to me, or Michael, or Alvin, or Grant [pseudonyms], who is our guy on the ground, we've actually got to make sure we are completely aligned in terms of what we are trying to achieve.

5.2.3 Be there

"You've got to be here" was a comment made by many informants. A New Zealand senior manager made the comparison between their customers in other countries and those in China, and pointed out the need to physically meet up with the latter:

> You can deal with other customers in other countries and start doing stuff [with] no more than their email address and a phone number. You might either email them or talk to them. But it may be 2 or 3 years down the track … before you actually physically get to meet them. But that is very rare in business with the Chinese. You've got to make the effort for physical contact, and getting to the market.

But being there means far more than just flying up to China and meeting with potential customers. A New Zealand senior manager based in Shanghai shared his perspective:

> You've got be here…. You've actually got to be here. You've got to have the cash behind you, and … be here for the long haul. It takes time, and you've got to do a lot of hard work…. If you are not on the ground, you are not going to understand the business to the depth required to know what you've got to do…. You've got to be better than the locals. You've got to be smarter than the locals. You've got to have a business model more profitable than the locals.' You've got to be … a better investment prospect than the locals.

When asked how long someone needs to have been in China before he/she gets a 'feel' of things, a New Zealand senior manager answered:

> As long as they can. Three or four years, maybe, something like that as a minimum. But you are still learning all the time. I had a lot to do with China, but I didn't really…. I found out so much through the [xxx] crisis [a food safety scandal]. Under pressure, a lot of things emerge. I would have thought by then, after about 10 or 15 years dealing with China, and [spending] a lot of time on the ground, that I would have a good sense of it. There was so much more that I found out during that crisis…. I guess what I am saying is that it's not necessarily time so much. It's the in-depth experience, and probably go[ing] through a few problems.

A slight variation on this suggestion of being there is having someone representing the company based in China. One New Zealand middle manager commented, "I think it is important to have someone there, just to have a presence, [and to know] exactly what's happening." A New Zealand senior manager explained in detail:

> We need New Zealanders … who can speak the language, understand the culture. We need New Zealand companies and entrepreneurs who are committed … to invest and to meet the costs of having people up here, to extend their supply line from New Zealand deep into the market here…. But a lot of them are trying to do it on a sort of fly-in fly-out basis. You can't do that. You've got to put people on the ground here.

Another New Zealand senior manager implied that whoever is posted to China needs to be totally trusted by the company and have an understanding of both cultures, and is likely to be more valuable for exploring high-value markets:

> You really only make progress when you have one [person] up there that you can trust implicitly to do your business. That person, who … probably best is … a Chinese, but could be a New Zealander, who's lived there for some time, and who you trust without reservation, is working there. This business like what we do, which is flying up there once or twice a year for a few days … and deals with the people, the number of agents and so on … it works, but only works with that low-value product. You want to get into the high-value stuff, you are going to have to do it a little bit differently.

A senior manager from a New Zealand-owned international company spoke about the challenges they faced due to not having a senior manager based in China:

> One of the biggest challenges, and one of the steepest learnings that I've had, was that we sit around and assess these things for hours, trying to [work out] what it might mean based on a very, very low base of understanding.... We sit in the … board room for hours, what we should be doing, or could be doing, and in reality, the best thing we can do, is to go to

> China, and start to develop a dialogue up there to understand the situation better. We try and second guess things too much, in my view, rather than actually trying to get to the real basis of the conversation, which means going there and talking to people.
>
> You can find out more in 5 minutes from a conversation in a round-about way. We'd agonised over here for hours, or in some cases, months. Then you actually see the right people … that's the value … of being on the ground…. Peter [pseudonym] is up there a week a month, which is a lot, but still probably in the context of things, that's 3 weeks that you are not there.
>
> There is no one in the business here [in New Zealand] who has really lived in China, worked in China, and understands…. Everyone talks about scale and difficulty and those things. There is no one here that has lived and breathed that. So you don't have someone sitting here … at the board table, an executive, who's got that knowledge of what's required in a place like China. It's quite a different operating environment. Whereas perhaps in another market … Europe … there are more people around who have got experience being in Europe, or through other careers lived and worked in Europe. They get that. But China is unique.

Similar to the analogy of wife and mistresses mentioned in *5.2.1 Find the right partner(s)*, some informants compared being there to dating. One New Zealand business consultant said, "You've got to be on the ground up here. It's like dating. How do you find a wife? It's exactly that…. Try the merchandise."

It is also worth noting that while informants suggest that being there is important, they also suggest avoiding investing in hard assets. One New Zealand business consultant explained the reasoning behind this:

> In China, if you put something on the ground here, factors are at play that you would never ever know at [which] … point [that the government] are going to take that asset. It's going to happen. That's the rules of the games here, because Chinese always look after the Chinese. For me, I would never ever invest into hard assets…. You need to partner with the right people, for them to build the assets…. Why would you want to build a cool store, when you can hire one? Why do you need your own facilities when you can hire one? The mentality of setting up a big asset in China for the business to grow into is ridiculous. You want the business to be growing, then you fund the asset…. If you are going to put

> something in the ground, the local governmental official [one day] would say, 'I really want that land. I quite like that. We change the rules.' That happens all the time.

5.2.4 Need capital

Capital is a necessary requirement for any business ventures. However, for businesses that want to venture into China capital is particularly important, as one New Zealand senior manager pointed out from their experience of operating in China:

> Capital is a big part of it....Whether it's from inside China, or whether it's from overseas, at the end of the day, you would need capital…. Money is critical. In fact, you will never have enough money at any point in time.... Cash is king…. I think people don't realise, or forget, conveniently maybe, … just how much money you need to establish a viable business up here. Because what you are trying to do, local companies are also trying to do it. They can exist on the smell of an oily rag, because they are supported by family and friends. If they have to go hungry once or twice a week, it's okay. They only go to the restaurant a couple of times a week, that's fine. Just have a plate of rice and a bowl of noodles. You get by. Whereas firm[s] that come up here – not so easy. The bigger you get, the harder it becomes. Not easy in many cases. The bigger you get, the more people you are obligated to.

5.2.5 Target second-tier cities

As indicated in *3.5.1.2 Diversity*, informants believe that Beijing and Shanghai are not representative of the whole Chinese market. In fact, during the interviews many informants shared their belief that second-tier cities should be the main target markets for New Zealand entrepreneurs. As one New Zealand senior manager explained, tier-2 cities have markedly less competition:

> You are far better to pick a particular area suitable to what you are doing and develop that really well. Then if you are successful and you have got capacity after that, then you can extend it to different areas. And stay away from Shanghai and Beijing, because there is too much competition there. If you go to Shanghai, you've got every single American company that makes what you make there, every single British company, every single French company, every single German company, Russian company, Indian company, Pakistan, Australian company … every single one of your global competitors will be sitting on your door step. But go to the tier-2 cities, Tianjin, Qingdao, Hangzhou, Chongqing, Chengdu, Kunming…. Go to t-2 cities, and you don't have all of that competition. Maybe your competition is only 10 per cent of what you would have in Shanghai.

A New Zealand district mayor gave a similar suggestion:

> I'd … target second-tier or third-tier cities. I think unless you've got a large corporate entity behind you, or a large logistical company behind you, I don't think there is much future going to Shanghai, Beijing, Guangzhou.… I think there [are] big opportunities in a wealthier second-tier [city]. Chengdu is getting quite up there, but Qingdao, Kunming, Ningbo … that's where I would go. And one of those second-tier cities, if you can get the right logistical [arrangement] … they will take all the product that you want, because they are so big in their own right. You shouldn't have a whole-of-China strategy if you are an agribusiness company in New Zealand. You should say, 'What am I selling?' Whether it's technology, whether it's a food-based product. What is already going from New Zealand to those places? Who are the people that have done it before? Go and talk to them, and say, 'Actually, this is the part that I want to be in. This is the part of China [that I want to be in]'. Then … you can go and talk to the council, because there are 37 sister city relationships between New Zealand and China. If you want to go to Shandong province … then the first thing I would do would be to go and talk to the councils that have a relationship with Shandong province. Talk to their foreign affairs. Then I would go up and try to find the businesses. But I'd also go up and see the foreign affairs people through NZTE, but also go there and say 'This is what I want to do. I want to build a relationship'.… But don't get on a plane, and turn up in Shanghai, and walk around … with an electric fence unit. That's just never going to work.

5.2.6 Mental preparation

Lastly, informants gave advice on the mental preparation one should have before venturing into China. One New Zealand senior manager suggested that entrepreneurs should ask themselves what their skills are before entering China:

> Well, be genuine and be yourself. That's really important. Have you had the skills? Make sure that you have got the skills. Once again, be honest about what you can actually contribute, and make sure that you do have the skills, and you are not trying to do too much, that you are not trying to do things that you are not able to do. It's a tough environment in lots of ways, and you get found out pretty quickly … whether you have the ability to do things or not.

But having the skills was not deemed to be enough by informants for venturing into China. Many suggested that New Zealanders should make the effort to learn the different culture and different ways of doing things in China. One Chinese senior manager (interviewed in English) pointed out

that one of the mistakes that he saw New Zealand entrepreneurs make was displaying a lack of willingness to learn about the new culture:

> When they go to a different country, a different culture, it takes time for them to get used to it. I think some of them [New Zealand entrepreneurs], in my opinion, their willingness to learn [was lacking], and maybe [they should] try not to battle from their perspective, and try to understand more from the Chinese perspective. I think that's one of the mistakes.

One New Zealand senior manager made a similar comment:

> I would like to see lots more New Zealanders … see lots of young New Zealanders working up here … working as interns, learning the language, learning the culture, learning what it is like to live here.… As a country, we need to learn more about … how we can bring this about. How can New Zealand get more out of the Free Trade Agreement with China?

This opinion was echoed by a Chinese agricultural consultant:

> I think the most important thing is to first … understand the market. That is a necessary preparation, because that is the most essential thing to do before you make any commercial decisions. This understanding means that you need to go there, to watch more, to listen more, to think more, and to learn more, then you can make a commercial decision. That is the very key.[62]

More specifically, one New Zealand senior manager talked about learning the system in China and what is important there:

> Understanding the system, understanding what's important. We look at things from a Kiwi perception, but they may not be the key drivers for the Chinese people or the Chinese government, so really that whole understanding of what's important to this market, to this country, is hugely important.

All this learning also takes time. One New Zealand senior manager suggested:

> I have been here a long time now, and I am still learning. Don't think you know everything within 5 minutes. You don't. Ten, twenty years of experience, you are still learning every day something new. Something you think, 'Whoa … that was interesting. I'll store that one

[62] Original Chinese quote: 我觉得最主要的是要先去了解这个市场。这个是必要的一个准备工作，因为这是一个你在做商业决定之前的最基本的一个工作。这个了解是说你要去到那里，去多看，多听，多想，多学，然后你才去做一个商业决定，这个是非常关键的。

away, because I didn't appreciate that was something that I should have been looking out for.'

The vast difference in institutional cultures between China and New Zealand portrayed in **Chapter 3** and **Chapter 4** indeed shows that there is much to learn. However, for some informants passion is the absolutely crucial element of the mental preparation needed. One New Zealand senior manager commented:

> I'd say the biggest piece of advice for anybody coming to China [is that] … sure as hell you'd better be passionate about what you do, because if you are not, this place will chew you up and spit you out, because you are going to bash against the wall whether you are passionate or not. When you are passionate, it doesn't hurt as much. That's pretty much how I see it.

Tied in with having passion is the need to be prepared to fail, or perhaps, having an 'escape plan'. One Chinese middle manager commented, "When doing business with the Chinese, always have an escape plan: What will you do if the other person does not do what he/she has promised to do?"

5.3 Value Proposition

Many informants shared their belief during the interviews that the future of New Zealand agricultural export cannot rely solely on commodity products, which has been the main income earner in the agri-food sector for the past decades. Informants gave specific recommendations as to how New Zealand could break away from such a reliance on commodity products, and explained from the perspectives of value adding, technological edge, and communicating with consumers and customers.

5.3.1 Value adding

Informants made it clear that it is impossible for New Zealand to supply every market segment in China, as alluded to in *3.5.4.1.5 Lack of volume of supply from New Zealand*. "Value adding" came through clearly as the recommended value proposition. A New Zealand senior manager gave his opinion as to why New Zealand entrepreneurs should target further down the supply chain, using an example of processing blueberries versus producing them:

> A better way to look at it is more the downstream type of industries in my opinion … Blueberries. Let's suppose you've got a New Zealand company who is great on blueberries,

> knows everything about it, going to grow blueberries in China. They would be far better to come in and create some downstream industry with blueberries, maybe it's a blueberry and a lingzhi[63] drink. You put a little bit of Chinese medicine in it, combine with that, put that through a Chinese distribution thing, and then you engage the farmers to supply for your product, and you clip … the ticket in the downstream side, rather than trying to compete with the farmer to grow blueberries. Because even if you are successful, if you put in a big orchard of blueberries, and you are doing really well, and all the people in the district would go, "Whoa, what are they doing? Whoa, they are making some money. I could do that." And the next thing you have, the whole market will be flooded with blueberries, your price will be pushed down, but your cost structure won't be, because you won't be living in a farmer's house. You would have all of the administration, all of the extra costs of running your operation, because you are doing it as a Western commercial enterprise. But the farmer knows how to save every single penny, every single *fen*[64], he will be saving, so that his cost structure is much lower, 10 times lower than you could ever possibly even imagine matching. And then your essential strength is gone, because you go to the market, here [are] the farmers selling blueberries.

One of the ideas raised by the informants is to add value by packaging products specifically for Chinese consumers. One New Zealand business consultant gave his ideas about packaging in general, and then more specifically about packaging lamb:

> New Zealand food packaging is crap. It's not right for the market.… What the Chinese want is they want to know information about it. You need to have more information about your product in the packaging.… [Also,] black colour resonates with Kiwis, but doesn't resonate here.… I think we need bright colours, because you want people to be happy. Because like anything when you are targeting the people, you don't target … the males, you target the females. They are the people with the money.
>
> We are still cutting up the animal as we would for Europe. We need to change it, and say, 'Right, how do the consumers use it?' And let's trace it back, and let's package it. How would I pack the lamb? Well, take for example, the ribs, the rib cage. Everyone loves to bloody gnaw on a bit of bone up here. I would vacuum pack that, ready for the consumer, in a way that maybe I would add some spices or something at the start. And then I want the consumer to whack open the bag, drop it into a pan, and add some local things, and have a

[63] A type of mushroom often used for medicinal purposes in traditional Chinese medicine.
[64] A monetary unit. One *fen* equals one hundredth of one yuan.

> nice dish.… So why would you want a big shoulder of lamb, a big leg of lamb? What the hell are they going to do with it?

Another form of added value is the authenticity of the product. The senior manager from a New Zealand winery that had successfully increased its wine sales to China over the few years prior to the interview shared his opinion as to why they succeeded:

> I think it is the fact that we have authenticity. We are a single vineyard. We can trace exactly where the wine comes from. It's made in our own winery. It's sort of like a French chateau model, really, in New Zealand. I think that's one major advantage. When people deal with [winery name], they deal with the owner. I travel across to China. I'm the face that's over there as well, helping sell wine. Everything … you've got that high level of authenticity.

This concept of unique single-origin authenticity can be extended to a country level: the idea of 'a food basket' was also suggested as another way of creating collective added value through authenticity for New Zealand products:

> Bulking up … the basket concept … a basket of products … a New Zealand Inc. basket … because if we had a New Zealand store in the top 10 cities in China, and we had all the products that went through, and … behind the scenes … we followed up with a whole lot of online stuff, that's probably the best way to go.

5.3.2 Technological edge

To achieve value adding, some informants suggested that having a technological edge is the key. One New Zealand senior manager explained it like this:

> New Zealand companies have to think … in terms of 'What technological edge can I put into that supply chain that will lift me above that basic level of competition?'… So New Zealand agribusinesses should be looking at things they can do that give them some technological edge that raises them above the mass market.… And that's never going to go away, because how could you deny the right of some poor farmer who is absolutely struggling because he is earning 150 US dollars a year, who's got to educate his family, clothe his family, to pay for health care. And he looks across the fence, and he sees somebody who is making some money doing something that he knows he can do, so he is going to go and do it, and you will never stop that. What he can't do is, say in the mogroside[65] example, he can't go out and invent a technological process to extract it in a more efficient manner, because he doesn't

[65] A natural sweetener extracted from luohan fruit.

have the education for that. So companies need to lift themselves above … what everybody else can do.

In applying this technological edge, New Zealanders should also adapt to local conditions in China, as another New Zealand senior manager based in Shanghai commented:

> Technology is the application of science. You always have to apply science in different ways and in different conditions. And of course, the conditions are different here. Conditions vary throughout New Zealand. But they vary more dramatically when you come here, so you've got to be willing to acknowledge the need to adapt to the different conditions that exist here.

5.3.3 Communicating with consumers and customers

For the specific exercise of adding value, informants suggested that communicating with consumers is the first step, particularly utilising social media platforms to talk to the younger generation. One New Zealand business consultant commented:

> The old traditional model of selling into China is that you send something up, and you hope like hell that you get another order. You've got no idea where it goes. With the opening up of social media and technology like it is these days, you can actually go directly to the consumers…. It's all about adding more value. But it's going to the consumer, and go, 'How do you use it? I will give you this leg of lamb. What are you going to do with it? How are you going to cut it up?' Watch them cut it up, so find out how the hell they are going to use it. Is it diced? Is it minced? Whatever it is. 'Oh, we don't really know.' So it becomes an educational thing. So, you say, 'We've got this great protein from over here. Here is a recipe with it.'… The problem is we need to look at how do we add more value, and it's a long-term game. They need to start from people on the ground; they need to understand the consumers; they need to talk directly to the consumers…. And you can do that now through social media. The information is there. It's not all the distributors. It's not all the consumers. It's the younger generation that's got money, who are going to grow up. You need to start talking to them.

While recognising that the final consumers are a critical element, understanding the customers, who will be the distributors or processors, is also deemed important. One senior manager from a New Zealand meat company gave an example:

> [One] thing that we learned on the trip, and we underestimated it, was how the Chinese value the bones, because we assumed that they just [wanted] premium protein, and that's

> what everyone else pays the money for, and the bone is just wasted. There is no material value. It goes to the rendering department, and is used as animal feed or waste. Whereas the Chinese will pay good money for the bone. Before we went over, we were selling … the femur bone, and some of the bigger bones. So we actually dismantle the whole carcass, and put the whole skeletal arrangement on the table, and took pictures of it. They say, 'Oh, we'll take that. We want that.' And even just the knuckle tip of the leg, which is basically the bone and the tendons, they said, 'That! That's the most valuable bit! We will pay $2.80 for that!' And we are throwing it away, and trying to get $0.40 for it over here.… I mean, it's pretty simple, isn't it? Go and find out what the customer wants. Understand what their dietary requirements are.

He further explained the philosophy their particular business has in regard to developing value-added products, targeting hospitality, restaurant and institutional markets rather than retail:

> We prefer not to go down that retail path. We … would go to the HRI trade, which is hospitality, restaurant and institutional, and as a business philosophy, we want to link up with people who have skin in the game in terms of putting the highest-value products on the white table cloth, so that everyone is driving for the most value, and finding ways to increase the value of your product, not decrease it.

5.4 Relationship Building

The importance and complexity of relationships, or *guanxi*, has been discussed extensively in *3.4.1.2.2 Guanxi*. Indeed, as one New Zealand senior manager commented, "I think … that business in China is more about just dollars and cents and profitability. It's about trying to develop meaningful long-term relationships or partnerships. That theme comes through more in China than anywhere else". This section of the thesis is dedicated to explaining how to build such long-term relationships, as seen by the informants.

5.4.1 When

Relationship building is be needed prior to business negotiation rather than during the course of negotiation. This is mainly to find out the background and the trustworthiness of the potential business partner. A New Zealand senior manager used the analogy of "turning the meal around" to explain this:

> [It's] about turning the meal round, trying to eat the dessert first, the main course in the middle, and the soup at the end, to use a Western [analogy]. It's not what the deal is … the

> first thing is *who*, then it's *why*, and then it's *what*. So you shouldn't even be talking about doing a deal with somebody until you are satisfied *who* … Who are they? Why would you deal with these people? What are their networks … the whole thing! And you should be dealing with several different possible co-operation partners before you choose the one you actually, ultimately use. And before you even do that, you should have been spending [a] considerable length of time getting to know those people, getting to know their personality. Are they trustworthy? What have they done in the past? Who have they stolen money from? What was their last business deal?… Just find out who they are, but in the big, broad sense.

A New Zealand agricultural consultant spoke about the need to 'play along' with the social games before getting into negotiations:

> You've got to be able to listen to what they want and understand what they want. You don't want to be in a rush for an outcome. You've got to build the relationship before you can actually get to the hard stuff in terms of negotiations. You've got to be able to play the Chinese banquet drinking games and [be] seen to be sympathetic, and understanding Chinese culture, and be prepared to eat anything that is offered. All of those little things, I think [are] very important.

Another New Zealand business consultant summarised the process like this: "Go through the 'getting to know you' phase, before even try[ing] to … talk generalities, and say what we both want to achieve, and over time get your shopping list on the table."

5.4.2 How

How to build trustworthy business relationships was regarded as much easier said than done by the informants. Nevertheless, they offered some of their advice regarding this.

5.4.2.1 Where to start

One New Zealand senior manager suggested that entrepreneurs should allow time, and start "through the easy door", and then move on to "building your own" networks:

> If you haven't spent a whole year in China, just living here, then you don't know anything. And it's easy to start off with. You don't even need your own Chinese networks. You come here, head for the expat bar, where the businessmen drink, start to talk to the local businessmen. 'What do you do? Okay, you are in this field. What government departments are you dealing with? How do you find them? Have they treated you well? What subsidies did you get? Can you introduce me?' Talk to another guy. 'What are you doing? Where are

> you working?' Etc. etc. Start your network through that easy door, because you can at least speak your own language. But then very quickly move on to building your own [networks], dealing with and working with the actual Chinese people. Just use the expat sort of thing as a doorway to get in. And there are plenty of success stories.

5.4.2.2 Clear communication

When communicating with a potential business partner it is important to have clarity, and be totally up front, as a sign of showing respect, according to one New Zealand senior manager:

> I still believe it's just [about] that absolute clarity on what you want to achieve, and what you require … that total up front.… I think too often you sort of think, 'Right, we will get in the door, and then we will tell them the bad bits once we are in the door.'… There are a lot of companies take that sort of line. I think we disrespect the people that we are dealing with if we do that. The people we are dealing with, they are not dumb!... I think too often we actually sort of denigrate the people that we deal with.... We have an assumption that we are smarter, and we are not. We are dealing with incredibly clever people, as a culture and as individuals. To me, we are disrespectful if we don't give them the good and the bad, because they'll find out, if they don't already know. Often [they] will have a whole line of experts. They will bring in their expert panels.… These people are clever cookies. They may have some different concepts to us. They are smart. They know what questions to ask.

This desired clarity also means that a high level of communication should be maintained at all times, as one New Zealand senior manager suggested:

> Have a really good understanding of what each party wants to achieve in this business relationship … and just keep [a] very high level of communication at all times, and make sure that as you go along, each party understand[s] what the other one actually means when they are doing things, and how it's going to work.

As already indicated above, this high level of communication includes passing on good news as well as bad news, particularly when it comes to maintaining relationships with the government. One New Zealand senior manager explained their approach in China:

> I think we've tried very hard, and if something is going good, or if something is going bad, Gary [pseudonym] and I would be in a car pretty quickly going to see the local government and let them know.… They would know before the day's out … far better that we've been and told them, especially if it's a problem [compared to if they found out the problem

themselves], so we are just trying very much to have that communication … in that relationship, so that … we can let them know what's happening, good or bad.

Continuity also helps to provide clarity, as one New Zealand senior manager explained:

> You've got to front up. I think continuity is important − same faces telling the same stories right the way through.... We've had a number of different meetings. We are demonstrating continuity, there is a rapport being built. We are consistent in terms of the messages that we are providing.... It just means that there is less scope for mistakes or misunderstanding of what we were doing, which I think has been useful in that they know we are genuinely interested in making ourselves available, which is good.

5.4.2.3 Be humble

Overall, the humble attitude of New Zealanders is a well-related-to and much-welcomed trait by the Chinese, as observed by some informants. One New Zealand senior manager commented:

> I think that New Zealanders tend to be [a] humble sort of people, and I think that goes down well with [the] Chinese as well. [The] Chinese have got similar sort[s] of attributes, not all of them, but by and large.

Another New Zealand business consultant commented, "I think they like our willingness to listen, our humility where we have it."

Indeed, a humble attitude was said to go a long way in the effort to build a long-term, trustworthy relationship. A New Zealand business consultant gave his advice on this:

> The one piece of advice that I'd give to young people going up there is … 'Do your homework,' understand China as well as you possibly can before you get there, and just be humble. Acknowledge the expertise that you encounter while you are up there. If you are selling, as with any customer, until you know otherwise, treat them respectfully and assume that they are bona fide experts in what they are doing. Always assume that your customer is an expert. He is *in* the position, he *has* some authority; as far as the sellers are concerned, they are the experts.
>
> It doesn't matter who you are, if a foreign expert arrives, and demonstrates quickly that he knows only as much as the locals know, and doesn't listen, is prescriptive, and tries to throw his weight around, tell them what to do, treat them like second-class citizens, there is no better way to do a bad deal. You just can't. So being humble, asking and not telling. When you really have some expertise, offering it humbly.... It's an offering up to a person who is

intelligent enough to judge whether they want it, versus, 'This is the way it's going to be, fellas.'

One New Zealand senior manager gave his suggestion for the agribusiness context:

> Sit, watch and listen, and learn. Spend time, just [to] understand. You have certain views on what agribusiness is about, which are in a modern agricultural environment. You can look and see what other issues you are bringing, and how they match with what you see here. So you go away then and do your homework to see whether your values, and your perceptions are going to meet [with] what you see over here. And if they don't, then you say, 'Is it possible that we can somehow match this up? Do I give up some things here, and gain over here? Or how do I do that?' But you can only do that by sitting, listening, watching and learning, and explaining. And don't be arrogant enough thinking your system is the only one that would work, because understand that this [system here] has been evolved over a much longer time than your one.

5.4.2.4 Search for common values

A Chinese managing director (interviewed in English) explained that he sought shared common values when making a judgement as to whether a person could become a potential business partner:

> A lot of times people were not really aware when I am trying to do this kind of tests. A lot of times I am talking about parents, talking about kids, talking about some public events. I am trying to gather my feedback, about how he/she is treating the parents, how often they go to see their parents, family gatherings, in what way they are educating their kids. What are their dreams for their kids? Or talking about some guy publicly shared around the media, so 'What's your idea?' Most of the time, I believe, in the conference room talking about business may only need 5 minutes. You use the calculator, multiply and divide, plus and minus, you get your results easily, done. The real business is outside the conference room…. Paperwork … is not my interest. I would like to work with people … at least we are somewhere close in the values…. Otherwise you are wasting your time.

5.4.2.5 Test everything

This idea of 'testing', mentioned above, was much talked about as an overall tool or strategy to use during relationship building. This testing was widely interpreted as double-checking, seeking confirmation via alternative sources, as well as giving the opportunity to prove one's

trustworthiness. For example, a New Zealand senior manager explained the necessity of cross-checking any information being offered by the counter party:

> I always find that there is a need to check or cross-check what people are saying. Sometimes, of course, there is a cultural sense that people … don't really want to disagree with you, or deliver bad news. So bad news is cast in terms that are never quite as clear as what you are used to.... So talk to a number of people, or cross-check what people are saying, cross-check back, asking the same question two or three different ways, is a good way of getting around that.

One New Zealand senior manager suggested that one should "take every situation on its own merits" and take the time to make sense of things:

> You take every situation on its merit, and you make sense of it the best you can, by taking advice, by spending time, by doing research, by talking.... Time is so important, in terms of at which point you say, 'Okay. I see it clearly, and I am prepared to make a decision on something.' Until you get that level of confidence, I guess, particularly in China, you are not ready. And how you can accelerate that by using external advisors or research, or whatever… [is] important, but just take every situation on its own merit.

A New Zealand business consultant explained that everything he does is a test:

> For me … everything I do is a test … everything I do! I am watching to see how you react, to see how you come back to me, to see how the relationship builds, because there are going to be triggers to say, 'Hold on, this is not going to work. You are not doing what you said you are going to do,' or whatever.... It's so important to watch you, who I am dealing with. If you say you are going to do something and you don't do it, I'll ask you why not. It's not one big test. Everything is a little test, everything, and that's the way to build up trust.

This concept of testing is particularly recommended when choosing the right business partner. The same business consultant made a comment about a New Zealand company, which, at around the time of the interview, had just signed an exclusive agreement with a Chinese partner:

> For all of China? Stupid! Absolutely stupid! … I think those guys have just gone about completely the wrong way.... I am not against exclusive agreements or exclusive deals. Exclusive is good, because it brings everyone together, but you need to prove it to me, because everyone up here talk[s] shit. Everyone can do everything. Everyone has got a cousin or a family that can produce … that thing for you.... This guy is saying this one thing,

> and [you] need to talk to 20 others to find out. So … you have a lot of options, and you are trying to back a winning horse ... you let them all go, and see which ones win.

It is worth noting that while New Zealand informants felt that 'testing' is necessary for building trustworthy relationships, they were also put under tests themselves for trustworthiness by their Chinese counterparts. According to one New Zealand senior manager: "You've got to pass the test. And that test is that you've got to be honourable, and you've got to be honest, and you've got to be open."

5.4.2.6 Non-engagement with bribery

Sections *3.5.2.3.7 Bribery* and *4.3.1 Integrity* alluded to the prevalence of corruption in China and the way in which integrity is valued among Chinese people. This section covers the recommendation made by informants not to engage with bribery. One New Zealand senior manager shared his opinions on this:

> To me, China is a place that you've got to operate really, really ethically to succeed.... I think that you go and operate at a higher set of standards.… If you think, 'This is China. We do things the Chinese way,' that's fooling yourself, if you believe that.… I've got a situation now. One of the companies that I am dealing with can't get product into China because their importer is saying, 'You've got to pay money to the port to do it.' … Once you set the standard … I don't think there are many instances at all that actually stops the business [from continuing].
>
> I think the worst thing you do is to set precedents whereby people expect that of you.… That's why I say, operate at the highest set of standards – operate as if you were anywhere else. And I really strongly believe that.

One New Zealand business consultant believed that becoming involved in corrupt activities gives a 'lever' to the Chinese party that is involved in such activities:

> As soon as you cross the line, the people with whom you have crossed it now have a lever; because 'If you don't continue to give that black money, I will tell everybody that you gave me black money the first time.' Pretty soon you finish off wearing an orange jacket [being prosecuted].

One Australian senior manager believed that there is no need – and it is 'not worth it' – to be involved in corruption:

> There is no need to do that. It just takes longer … absolutely. We could have put the factory in [in] 9 months. It took us nearly 2 years, so there is [a] cost. The trouble with the red envelopes is that people change. Senior people in government change, so you've got to start all over again. And you've got to have a very good memory. But it's not worth it. I don't believe it's worth it.

Another New Zealand senior manager pointed out that the much lengthier timeframe to achieve things due to non-engagement in bribery or grey channels is worthwhile:

> I personally think anybody who is basing their business on the grey channel has been incredibly short-sighted. You've got to … start doing things legally.... There is no future doing that [bribery]. Even the Chinese companies, I think, are starting to address that.... If you come in here expecting that you are going to have to do business by graft and bribery, don't come here.... You go on that track as a foreign company, you might as well … [not] come here. Stay away. You will find it much more difficult not to pay your way, but if you are serious about China, just don't get involved in it. Do it properly. Do it legally. And the trend in China is to do it the legal way. This is an incredibly corrupt country, there is no doubt about that. But as a foreigner, you don't have to.... You know what will happen? They will find that official. They will jail him. They will cancel your business licence. They will seize your assets, the whole thing. Why would you do that?
>
> All I am saying is that you can exist quite comfortably without being corrupt.... You've got to do everything exactly right. If a problem does occur, as long as everything is done right, there are official channels, there are ways to actually deal with those issues.... Once you are in the system [of corruption], once you've done it, you are committed.... It can be incredibly expensive, and [an] incredibly frustrating business.
>
> It's a dangerous game.... The problem is that you can't put a value on it. There is no way. There is no finite value. You can never control it.... Undoubtedly there is a game that has to be played here. All that the Chinese are doing is sizing you up. That's all they are doing − the dinners and meetings, and the bullshit that goes on. That's all part of the game. You eventually get beyond that game.

5.4.3 What to achieve

The exercise of building a long-term trusting relationship should not be carried out with no goals in mind. The informants offered their opinions on what these goals should be from the perspectives of "bigger relationships", *guanxi* harness, and interdependence.

5.4.3.1 Bigger relationships

One New Zealand business consultant suggested that the relationship that entrepreneurs seek to build should be 'bigger' than the business deal, for the purposes of protection:

> If your relationship is this big, and the deal is this big [hand gesture showing a smaller scope], then the deal will probably go well … [because] the other party wants a relationship, which covers a much bigger scope [than the business deal under discussion].… That's another little trick that New Zealanders can use, for any new piece of business, to make sure it's done within the scope of the existing relationships; so that [the deal is a] little bit of the [bigger] business. It is not in the Chinese interest to screw it around, because they [would then] put a whole lot more at risk.

5.4.3.2 *Guanxi* harness

In line with this concept of creating a relationship that is bigger than the business deal is the concept of '*guanxi* harnesses'. One New Zealand senior manager suggested that entrepreneurs should try and create such *guanxi* harnesses around relationships, and that without them, one should take the development of the relationship very slowly:

> Another principle is what I call 'the concept of harness'. If you are doing business with somebody, and you have a harness on them, and the harness is an outside force, and it's your relationship that is looking over the business deal [then] that will prevent that person doing something bad, because he knows he is going to get into trouble from over here. You've got a control on that person, independently of the relationship.… This actually is just showing … how complex it actually becomes, because there are all sorts of dynamics [that] have to go in, and sometimes, you can't put all those pieces in place. Sometimes you can't get a harness on them; sometimes they don't come through your *guanxi* circle, in which case, you've got to be very, very conservative with your relationship, and let the relationship develop slowly.

5.4.3.3 Interdependence

Although the concept of interdependence was not explicitly talked about by many informants, they did express the need, for security purposes, of having interdependence within a relationship. One New Zealand senior manager explained:

> On my side of the business, my … business relationships, I always need to make sure that the business partner needs something that we've got. [For example,] we need to retain control of the brand or the distribution system, [and ensure] that they are always reliant on

> us … [for] that. As soon as we give that up, then they'll just take, take, take, then there is the potential that they say, 'Okay. We've got what we want. See you.'

The above comment was specifically about creating a situation where the business partner depends on you for the business partner's own benefit. What was implicit, however, was that the speaker also wants to maintain the relationship with the business partner for his or her own benefit – hence the need to create such interdependence between the two parties.

5.5 Business Negotiation

If 'relationship building' is about two parties getting to know each other, in search of trustworthiness, then 'business negotiation' would be the next step in the progression of business dealings. This section of the thesis explains the recommendations given by the informants about business negotiation, from the aspects of attitudes, strategies, and tools.

5.5.1 Attitudes

Several attitudes were suggested by the informants as being necessary for New Zealand entrepreneurs engaging in business negotiation.

5.5.1.1 Go with the flow

Similar to the concept of creating interdependence in relationship building (*5.4.3.3 Interdependence*), 'go with the flow' was another implied concept in many of the comments by the informants, yet was not often explicitly expressed. "When I go to China, I go with the flow" was a comment given by a New Zealand senior manager, and that was an attitude that many other informants indicated they held when dealing with the Chinese, particularly when it comes to business negotiations. Another New Zealand senior manager pointed out that there is a big difference between long-term vision and long-term plan, and that the former is what Chinese people tend to hold onto, whereas the latter is more common with New Zealanders, who need to recognise such a difference and go with the flow during business negotiations.

5.5.1.2 Compromise

Being able to compromise during negotiation is deemed important by some informants. One New Zealand senior manager spoke about the particular importance of being able to compromise in the face of dispute:

> I think a big lesson here in China for foreign enterprises is compromise: understanding that there does need to be compromise, understanding that's part of this culture thing. Sometimes you've got to give a little bit before you can take a little bit, so both sides have

> to be happy with the outcome. When you have got some dispute resolutions that you are trying to work through, it's about getting an outcome that everyone can live with comfortably.

This ability to compromise, however, requires a depth of the relationship, as one New Zealand senior manager explained:

> You've got to have the depth of relationship, where you can discuss … things honestly, and that you are aware of … that essential pressure, that essential disunity of idea, and maybe reach some sort of compromise where both parties get somewhat what they want.

5.5.2 Strategies

Informants suggested a number of strategies in terms of business negotiation.

5.5.2.1 Expect the best, prepare for the worst

One New Zealand business consultant suggested that one should negotiate a business deal with the best expectations, but still have clauses in place for worst-case scenarios:

> Expect the best, and prepare for the worst. It's a fairly normal Western approach. Recently, with an infant formula company that I advise, they asked me for a comment on the contract they were doing with their master distributor, and the contract was silent on the issue of poor behaviour by a competitor, which could amount to copying the product, copying the brand, adverse claims in the market place, offensive behaviour, so I simply advised him to understand what was his role and his master distributor's role if they should uncover any of that sort of behaviour in the market place. Whose responsibility was it to bring a prosecution, to issue and see some desist notices, to take injunctions … and who meet[s] the cost of all of that; and if they sue somebody successfully, who [gets] the proceeds? If you have an agreement that's silent on all of those things, then you run the risk of you won't be able to negotiate to a particular place when it happens. So my advice is to expect the best, but prepare for the worst.

5.5.2.2 Do not show impatience

During the course of negotiation, informants suggested that patience is a valuable trait for New Zealanders and one should avoid showing any signs of impatience, which will be identified as a weak point and used against them by the Chinese counterpart. As one New Zealand senior manager explained:

> Just be a bit more patient. You've got to have infinite patience. I'm an impatient guy, very impatient. But one thing I've learned very much here is to be extremely patient, and don't

> show your impatience, which is what I do if I am not careful. I am thinking, 'Look, it's a waste of time.' And you start showing elements of frustration. At that point, they know that they've got you, and they've got you in a weak point, so they know how to deal with you then. They will frustrate you, so that … you sign the document at this point, where in fact, had the negotiation gone on a bit longer, you may have got more [to a] position of strength yourself, as opposed to showing frustration, and they will say, 'Ha ha … we'll get him now.'

5.5.2.3 Create competition among partners

Another strategy suggested by informants is related to the notion of being cautious about signing exclusive agreements in China (*3.6.4 Unwise choice of partner(s)*), and testing everything during the relationship building period (*5.4.2.5 Test everything*). This strategy for business negotiation is essentially to create healthy competition among business partners so that they will work hard towards an outcome that New Zealand entrepreneurs desire for. One New Zealand senior manager explained the thinking behind this strategy with an analogy of the internal staff management within his own company:

> Every single thing that you do in China, you have to have some contra-force. In our studio, we have two people on the same level who are studio managers. They've got slightly different titles, but they are at the same level, and they do exactly the same job, and they compete against each other. That means Mr A always knows Mr B can step into their job, so he loses some power and control. He doesn't feel so important. If he thinks that he is the only person who make[s] decisions, then he [will] start to cause trouble. He'll ask for more money; he'll want more time off; he wants to do this; he wants to do that. So that balance is really important…. You always have to have this balance. You always have to have two competing forces to keep everybody in line. So having a few distributors? Great idea. Absolutely great idea. Keep them all with a carrot. [Tell them] 'If you do a really good job, you'll get some more'…. You could sign up distributorships in vertical markets … [or] maybe some small geographical area.... But certainly, people who sign up all of China rights without testing the market is … unadvised. Far better to say, 'Okay, let's just test one area.'

Informants also pointed out that such "keeping them all with a carrot" needs to be organised, as another New Zealand senior manager explained:

> You need more than one [partner], but they need to be organised as well. The last thing you want is two agents or two distributors competing in the same territory, or in the same sector, because all they do is compete against each other, then you run into trouble of pricing, price positioning, industry build, all that sort of stuff.

Another New Zealand senior manager shared the strategy they had adopted in managing this kind of healthy competition:

> We've taken a strategic approach, where we have labelled four of those long-term customers as diamond customers, and we've labelled four as gold customers. The diamond customers will get maybe five or six hundred tonnes, and the gold customers will get two or three hundred tonnes. So the key thing about that is that they know that they are important, they know that they are one of four, we are not trying to do too much around the edges. They know that there are others coming in, wanting to be diamond supplier, and they are willing and will take the place if they knew a way. Likewise, there are some others showing some interests, that if a gold disappeared, there is another one that … can come in.

Indeed, the New Zealand business consultant who pointed out the mistake of a particular company signing an exclusive agreement around the time of the interview also described the approach he believed this company should have taken:

> The problem with their model is that they've just got one company. What's the motivation for that company to do well?... What they should have done, is that they should have said, 'Right, you guys are in the north China. I am going to have one in the south, and we are going to have one probably in the central.' And you tell them who everyone else is, and you say… 'Look, this is what you've got to start with, and we are going to grow you.'… 'Right, prove yourself.'... And this is the way to do it. You say, 'Here is the market allocation. This year 200 tonnes, next 400 tonnes, or whatever. You guys go for it.'… That equals [to] … [giving] them … hope.... I want to say, 'I want you to work your arse off, because this person … down south is also doing it.'

5.5.2.4 Joint ventures should have the Chinese partner taking a greater shareholding

Having been the representative of a New Zealand majority shareholder within a joint venture company (with the Chinese partner being the minority shareholder), but gradually being squeezed out of the key decision-making within the top management team of the company, a New Zealand senior manager shared his experience and the lessons he had learned:

> We should have said, 'Look, why don't we get the Chinese partners to buy in 60 per cent or 70 per cent of the company, they will keep a close watch on what's going on, because it's them that's being penalised.' Whereas in my case, with only a small proportion, they were robbing the bank dry, because they felt they were being disadvantaged, even though they weren't being in the long term, [but] they wanted instant gratification. We couldn't provide

that, because business sometimes takes longer than you expect. So the fact that they are saying, 'Shit, why is it taking so long? We'll take a bit now. We can take this.... They [the foreigners] won't mind.... They are going to get a larger chunk eventually, but we want the money now.' So that was wrong. You [got] somebody here to look after your venture.... [They are thinking], 'You've brought business to me, and we've waited 3 or 4 years, the company is not growing as fast as we thought it was going to grow, because the marketing is taking longer than we expected, so we want to get something back from it now.' You are thinking, 'Yeah, that's fine.' But it can cripple the company, so you need to have somebody that's watching, and they are watching their investment basically, and they are not trying to say, 'Take it off the foreign guys.' They will be looking for protecting rather than robbing, and that's a big difference.

5.5.3 Tools

Apart from the above strategies, informants also suggested a few practical 'tools' to use when it comes to business negotiation.

5.5.3.1 Have a good observer

One New Zealand senior manager advised having a good observer in the team, preferably Chinese, who is trustworthy:

> I am an observer, basically, and I watch, and see what's going on.... You need somebody in your team that is good at doing that. He may not be your high-powered negotiator, but they are the person that's looking around, having the opportunity to watch, and the interactions [that are] going on, and has a feel for it.... So having somebody that can be with you and do that interpretation is very, very important. Somebody you can trust. That's your person; not a translator that's been given to you by the people that you are negotiating or asking information from, because they ... are obviously helping the person that's hired them, or in their confidence.

5.5.3.2 Have a Chinese lawyer

Another practical piece of advice given by the informants for business negotiation was to have a Chinese lawyer. One New Zealand agricultural consultant explained:

> You do need to have, I think, from the New Zealand side going into those sort of agreement[s], a Chinese-trained lawyer ... local lawyers who know business law, to help to guide you through that. Because if you don't understand that, and end up being in a dispute that has to go to court ... and actually having documents that [are] in English and Chinese

> [and] really do say the same thing … and interpreted the same, and you can only really get that by having a Chinese lawyer who is very familiar with both sides of the fence.

5.6 Agribusiness Operation

During the interviews, informants also gave some suggestions as to how businesses, particularly agribusinesses, should operate in China. One New Zealand senior manager described his role as, "I guess I am a band master, composing, keeping the rhythm in the orchestra." This section of the thesis will cover these recommendations for such a 'band master' from the perspective of operating from New Zealand and operating from within China.

5.6.1 Operating from New Zealand

The clear message that came through the interviews for agribusinesses operating from New Zealand for product export was the importance of having good distribution and logistical channels in place. A New Zealand district mayor explained:

> In my view, unless you've got very good distribution channels and logistical channels, you can't operate … [and] you still have to have a very good relationship with the person who controls that.… A person in New Zealand ringing up somebody in China and say[ing], 'I want to sell you some peaches tomorrow,' or, say, meat … it's not that simple. You've got Certificate of Authenticity in New Zealand, you've got to get customs clearance, you've got to meet a whole lot of things to get through into China, then it would be off to a logistic [company] or middle man before you get there.

This informant further pointed out the importance of having reputable companies operating the distribution and logistical channels. According to his understanding, a problem that occurred with a particular New Zealand company around the time of the interview was due to a distributor doing things that were not supposed to happen, and that a long-term relationship with a reputable and reliable distributor is the best way to avoid such problems happening again:

> What happened to [the New Zealand company] is that they were using people over there on the ground to do things that shouldn't have been done. I think the best way of avoiding that is to have long-term relationships with distribution channels at the other end, which are reputable, and that's why we work with [a particular logistic company].… They are well known to our government. They are supported by Foreign Affairs.… You can take products to certain places … and they make sure that it's got all the appropriate labelling, and if it [hasn't], they fix it, and it goes through to the market, away it goes into China.

5.6.2 Operating from within China

For New Zealand agribusinesses operating from within China things get more complex, particularly where farming operations are involved. Informants gave their recommendations from the perspectives of people management, prudence in management and independent financial management, as well as specific suggestions for dealing with farmers.

5.6.2.1 People management

One New Zealand senior manager commented, "I think [for] the directors, one of their biggest focuses is not how we build the farms, and not how we put the livestock in; it's how we put the people in." Indeed, people management sits at the centre of business operations, and drew much attention from the informants, who gave advice regarding selection of staff, looking after oneself, talent development, and being cautious about hiring foreign-educated Chinese staff.

5.6.2.1.1 Selection of staff

For a foreign-invested agribusiness venture in China, some informants believed that it is important to have a foreign manager at the top management level. One New Zealand senior manager explained:

> I think first thing is that if you are involved in a foreign company here.... Certainly for the first 5 years, you need a foreign manager, because I think establishing that interface that's between [the] foreign company and the Chinese is really important. And I would personally put more focus on the foreigner at that top level … because at the end of the day, if the investor is a foreign investor, Australian or New Zealand company, there are certain, obviously, corporate disciplines and governance disciplines that you need. You are never going to, in [the] short term, particularly in agriculture … develop those with local staff. So … the first 5 years, which is the critical set-up time, I think you need a good foreign manager.

He then explained the need for a good skilled technician, who is preferably Chinese and can interface with the foreign culture, or a foreigner is able to train up a Chinese technician:

> In most farming operations, whether it's … agriculture or horticulture, there is a need for a good technical person.... And I would suggest to you that can be either a Chinese, or foreigner.… At that level … if you've got a foreigner there, you need an excellent Chinese person to transfer it through, down to the next level. And I would suggest to you, your ultimate aim must be bringing that Chinese person through to take that role.

Being based in a region where many rural areas are occupied by ethnic minority people, this New Zealand senior manager spoke about the challenges and therefore cautions to be taken when hiring a technician:

> Even within the Chinese people, you need to be very careful, because for example, where I am working out there, they are all Yi[66] people. [If you] put a Han[67] person in front of them, you've got to be careful.... It's a tribal thing, and … culturally you've got that factor coming into play … particularly in agriculture, as you go down. You have Yi people, and you've got Han people, and they have a different outlook.... There is no overt tension. [But when] you go out to where I am, all the local government officials are Yi. There is virtually no Han people out there. That's at the county level.... If you bring a person from north China, and put him in there, they might have all the skills you need, but as foreigners we can get away with that, to a certain extend.... So it is not a case of *just* finding Chinese people, because, what sort of Chinese people? You put a person from Shanghai here? You ask the people [here] about Shanghai[-nese] − thieves, crooks. You've got to be careful with that.

5.6.2.1.2 Looking after oneself

One New Zealand senior manager based in Beijing pointed out the fundamental importance of looking after oneself in the harsh environment of China, for the wellbeing of the company:

> Number one is about looking after myself, keeping myself in a good space. If I am mentally healthy, physically healthy, spiritually healthy, and socially ... a pretty balanced lifestyle, that energy passes on to my team. In China, I need to be more aware of that, because it can get you down pretty quickly, if you are not on top of that.... Pollution, traffic, people, it gets you down, [so] even outside [of] work, you've got challenges [as well].

5.6.2.1.3 Talent development

Other than looking after oneself as a New Zealand entrepreneur working in China, some informants also pointed out the need for talent development within the staff, as one New Zealand senior manager commented:

> We really believe businesses are about system and people…. We are extremely gung-ho on developing talent. I feel I should spend 70 to 80 per cent of my time on talent development. If you get the right people in the right position, all your problems go away, and problems don't arise…. Don't build a business around yourself. Build a business away from yourself....

[66] An ethnic minority in China.
[67] The ethnic majority in China. About 95 per cent of the population are of the Han ethnicity.

> It's really easy to measure. How long can you leave the company without the business going backwards? I found 6 months … is a pretty good benchmark.

5.6.2.1.4 Caution towards foreign-educated Chinese staff

Although many informants mentioned that New Zealand entrepreneurs should utilise more of the Chinese graduates who have studied in New Zealand, one thing that some informants believed is particularly worth paying attention to is the management of foreign-educated Chinese staff. These Chinese staff might be particularly motivated towards self-gain due to their educational advantages. One New Zealand senior manager explained:

> One of the big failings … there is an awful lot of Chinese people who move out of China, get some education in the likes of New Zealand, Australia or America, who then think that they are going to control the business relationship, and they use their position to effectively steal the benefit out of the relationship. And we see this happen over and over again.… That type of person is absolute poison. I tell you, if I've seen this once I've seen it a hundred times … because they … tend to have a higher requirement, which is 'Somehow, I want to use my privileged position of being able to study abroad and live abroad, to get into my own business,' so they will be looking for their ownership of something for themselves. Even if it's just getting their 10 per cent, somehow they want to manipulate the situation to get their 10 per cent reverse commission, but they've got to want to make something out of that relationship. That is a generalised statement, and it's not 100 per cent at all, because I do know a lot of good people that do perform well in that situation. But there is a very big percentage of them who fall into that category. And again, it comes down to the amount of time that you spend with the person, to see whether they are trustworthy or not, and you test them.

5.6.2.2 Prudence in management

Not only did the informants find people management a delicate task at times, but having a strict discipline in following things up in all business dealings was also deemed necessary. One New Zealand senior manager commented:

> You've got to put really strict disciplines [in place], and you have to keep revisiting, and make sure that [the] path becomes really well worn, otherwise you will lose control, guaranteed that you will lose control … particularly in the country areas, [where] you don't offend one person, you offend the family, so you've got to be really careful.

Another middle manager spoke about being prudent in business dealings, especially in the farther away provinces:

> Just be more careful and be more prudent in the dealings … especially up in the provinces [referring to the northeast provinces in this particular conversation] … because you might be promised one thing or another, and when push comes to shove, it doesn't exist, or they don't want to give it.

Another New Zealand agricultural consultant spoke about being aware of how much weight one's own suggestions for implementation actually carry:

> [You should] not assume that because you've had a discussion [about] what might be the right design [for implementation], and then leaving it to the partner to go off and do, that what you've asked or suggested [is] actually going to carry any weight.

He further explained that in a particular situation he was aware of, the Chinese business partner was the majority shareholder, who knew nothing about agriculture, and hired a manager. As a result there was a need to spend time and build a relationship with the manager, who actually did the implementation:

> I think in this case we have this investment company in [named Chinese city] that has the largest part of the investment, and they know nothing about agriculture, so they hired a Chinese manager to manage the implementation. But he is one step removed from the person that you started your relationship with. And the only way I think you can develop a relationship with a person that is actually doing the implementation is probably to be actually sitting beside him, instead of sitting beside the business partner.

5.6.2.3 Independent financial management

A New Zealand senior manager shared the lessons he had learned regarding financial management for the joint venture company he was involved with, and pointed out that having an independent party to manage the finance is necessary due to the common practice of having two or three sets of financial books for one company:

> In the financial sense, the mistake that I've made is trusting who I thought was a friend. Turned out it wasn't. In that sense, it would have been far better for the company, and it would be much more healthy for the company, to have understood the way that there are two books, or three books, and that we should have had finances handled by, say, a company in Hong Kong, who is completely independent of where we are, so that they come in once a month and did the books, so it wasn't done inside the company, and particularly with family members.

5.6.2.4 Dealing with farmers

Specific advice was also given by informants regarding the recommended approach in dealing with farmers. This included setting up model farms, listening to farmers' needs, and being a good local citizen. All of this advice was, to a large extent, about showing respect to the farmers.

5.6.2.4.1 Set up model farms

One New Zealand senior manager explained that using a model farm is particularly helpful for getting farmers to adopt new farming practices:

> Simply just because I say it's right doesn't mean … it's right. But if you can explain why it's right and demonstrate, and maybe you can have some demonstration points where you might be fortunate enough to have a farmer, or you may actually set up a model system that you want to implement, so that they can look over the fence and think, 'Oh, yeah, I think I can do that.' They may actually do it much better. And they may take your bits, and take those away and start doing things, and that's the challenge for them. [You] say, 'Well you do it better.' Then they own it.

5.6.2.4.2 Listen to farmers' needs

One New Zealand agricultural consultant shared his experience of how the project he was involved with helped the rural farmers to fulfil their needs and built the relationship with the farmers:

> We had a project in [named province] with [an ethnic minority] communities. When we sat down at the start of the project and had our community meetings with the farmers of the village, the number one issue for them was their drinking water. The quality of their drinking water, which they took from streams, [was] being polluted by the livestock. And the women were saying that you had to get up at four o'clock in the morning while it's still clean for drinking. And the second big issue was the condition of the school. So while the project was a land-use project, the first two things that we did were to build a water supply system for the main village and had the school repaired. From that, that built a relationship, [so for] the other things which were around feeding animals, keeping animals alive over winter, they started to respect and trust us. So, listening to the community needs was really, really important. It's called participatory approaches, so it's not top down.... You have to not only sit down at the start, [but also] talk through what ... their issues [are], and try to understand the issues of the locals.

5.6.2.4.3 Be a good local citizen

When asked if rural farmers would turn back on a lease agreement and demand more payment, one New Zealand senior manager said:

> No, I don't believe that is the case. But one of the ways to counter that is you've got to be a good local citizen … [and show that] you are providing employment and benefit and so forth to them. I think if you sat there and completely isolated the local village, yeah, you potentially would have that problem, which would possibly be reflected in other way[s]. But that's why I think you have to provide employment, you have to provide benefit.... As part of the water conservation, we are building quite a big lake, and we are going to landscape that, and stock it with fish, so the local village can use it. Where we've got waste land, we will probably put up a basketball court, or something like that. You don't actually have to do much, but just doing things which are of benefit to the local village.

5.7 Understanding the Power Game

One particular comment given by a New Zealand business consultant perhaps encompasses all the areas discussed in this chapter. He described businesses as 'power games' within a system:

> I think ultimately business is about power, and the customer has the power, the people who have the customer reach have the power, and people who manufacture cheaply have the power.... Where does the balance of the power lie, who can actually extract margins … and in the long shadow of the future, how much margin do you want to extract today, if you still want to be doing business tomorrow? That's … reduced to its simplest essence, that's business, that's the game of business.... If I do this, what would my competitors do, what would my customers do, what would my consumers do, and how will all of these decisions interact with each other in a system? Not many business people actually think like that. But that's what they are doing. They don't know it, but that's actually what they are doing … all players in that system [are doing].

5.8 Summary

Having dealt with 'how things are' in **Chapter 3** and 'why things are the way they are' in **Chapter 4**, this chapter has focused on 'agribusiness pathways in China', as seen by the informants. The suggestions given are by no means exhaustive, and should therefore be regarded as appetisers for further thinking and trialling in real-life situations, from which everyone learns so much more.

5.8.1 Market entry

To enter the Chinese market, informants believed that the essential element is to find the right business partner(s). Starting the market entry process through experienced China-hands via government or commercial agencies is the recommended approach. Whether the criterion used is mutually added value or the fundamental integrity of the potential partner, the exercise of finding such a partner was likened to the effort of finding a wife, rather than a mistress.

In this process of finding the right partner, according to the informants, New Zealand entrepreneurs should also give consideration to achieving alignment on three different levels. First, the business venture must be aligned with government policies in China; second, the business interests of both parties within a partnership should be well aligned; and last, within a New Zealand organisation itself all staff members should have their vision aligned, which is particularly important during communication with potential business partners.

Informants also believed that business ventures in China or with the Chinese require the dedication of physically being in the market in China, or at least having a representative of a company based in China. This was deemed particularly important for exploring the high-value markets. 'Being there', however, should not be interpreted as investing in hard assets, which in fact is a practice warned against by some informants.

Informants recommended that, with sufficient capital backing, the best target markets in China are tier-2 cities, where competition with other international brands is less, yet the size of the market is still sufficiently large to satisfy most New Zealand producers.

However, all of the above advice for market entry is worthless if one's mental preparation is not sufficient, according to the informants. They believe that New Zealand entrepreneurs should be honest with themselves about where their skill base lies, be prepared to learn about new cultures and ways of doing things in China, possess a passion for whatever one wants to achieve in this tough environment, and, lastly, have an escape plan.

5.8.2 Value proposition

Informants believed that New Zealand entrepreneurs should put their effort into developing value-added products. This can be achieved through further processing downstream of the supply chains, specially packaged products for Chinese consumers, and emphasising the authenticity of New Zealand origin, which could be either for a single product or for a collective of New Zealand products through the concept of a 'food basket'.

Informants suggested that New Zealand entrepreneurs should take advantage of the technological edge for product development, adapt it to the local conditions, and avoid competition with the mass market in China. This is because within the mass market many farmers not only possess the skill base for agricultural or horticultural production, but also have a comparatively much lower cost structure due to their own family networks and high tolerance for harsh living conditions.

To achieve effective value-adding, informants recommended utilising social media to communicate with consumers, particularly the younger generation. For those whose clients are distributors or processors, it was deemed equally important to keep a high level of communication with clients, and adjust products accordingly for value-adding purposes.

5.8.3 Relationship building

The importance and complexity of relationships in business dealings in China has meant that the exercise of relationship building is both vital and complex. Informants believed that long-term trustworthy relationships should be built prior to any business negotiations. New Zealand entrepreneurs should first find out about 'who' and 'why' regarding a potential business partner, before entering any discussion of 'what' the business deal might be.

New Zealand entrepreneurs could start from the "easy door" of talking to expatriates in China, but should soon begin building their own local networks of Chinese people. During the exercise of relationship building, clear and up-front communication should be maintained at all times, and a humble attitude will serve one's effort of building trust well. Potential business partners were said to be searching for common values during this exercise, and "testing everything" was recommended by informants as a way of seeking trustworthiness. At any point during this relationship-building exercise, however, New Zealand entrepreneurs should avoid any engagement with corrupt activities, even though it was acknowledged that things will thereby progress much more slowly, due to the prevalence of bribery in China.

According to the recommendations of the informants, New Zealand entrepreneurs should aim to build relationships that are bigger than the business deals as a form of protection for these deals. Where possible, a "*guanxi* harness" from an outside force provides security for the relationships, and one should take extra caution if such a harness is not possible to achieve. The long-term security of a business relationship, however, goes beyond just having a *guanxi* harness: the interdependence of the two parties involved is in fact the ultimate security for a long-lasting relationship.

5.8.4 Business negotiation

The building of a trustworthy relationship is followed by business negotiations, during which informants emphasised the importance of going with the flow and being prepared to compromise.

Informants recommended that New Zealand entrepreneurs adopt the strategy of expecting the best, but preparing for the worst for any business negotiations. Showing impatience or frustration will be taken advantage of as a weakness and should therefore be avoided during negotiations. Informants also recommended that entrepreneurs utilise the strategy of having more than one business partner in China, to create healthy competition among the partners in order to grow market demand. Where joint ventures are formed, informants believed that getting the Chinese partner to have a greater shareholding in the venture provides incentives for them to look after the business rather than "robbing" it because of their own insecurity for the future.

Informants recommended having a good observer in the team during the process of business negotiation, and having a Chinese lawyer to ensure the wording in the contract cannot be interpreted differently between the Chinese and English versions.

5.8.5 Agribusiness operation

Specific advice was also given by the informants for agribusiness operations, conducted from New Zealand and from within China. According to the informants, the key issue for agribusinesses operating from New Zealand is to have good distribution and logistical channels in place, with reputable and reliable people operating them, and good relationships with such people to ensure the functioning of these channels.

For agribusinesses operating from within China, particularly those that are farm-based, operations require particular care. Informants recommended a foreigner sit at the top management level to ensure foreign corporate and governance disciplines are adhered to in the business operation. It was deemed, however, important to have a Chinese technician who can interface between the farmers and the foreign culture; and if such a technician cannot be found to start with, a foreign technician must serve the purpose of not only providing technical support for the operation, but also training up a Chinese technician who can eventually take over the tasks. Particular attention should also be given to recruitment where an ethnic minority is involved, because of the potential for strife between different sub-cultures in China.

Informants believed that New Zealand entrepreneurs should also pay attention to their own wellbeing − both physical and mental − to ensure the ongoing healthy performance of the

business and the staff, whose talent development was also said to be of great importance. A particular category of staff was singled out by some informants for special caution. These were foreign-educated Chinese staff, who, as some informants warned, could possess an ulterior motive of utilising their privilege within a foreign company to set up their own businesses. Not all foreign-educated Chinese staff are like that, however, and their trustworthiness should be assessed by spending more time with them and testing them.

Informants suggested that New Zealand entrepreneurs should take particular care when it comes to business implementation, because they observed that some things will not necessarily carry through from the original decisions, particularly when rural communities are involved in the implementation. Informants also suggested that entrepreneurs should make the effort to spend time and build relationships with the person who is in charge of implementation rather than relying on business partners to keep an eye on things.

In the area of financial management, lessons were learned by some informants in regard to the importance of having an independent third party involvement and avoiding association with family members of the business partner.

Specific recommendations on how to interact with farmers were to a large extent about showing respect to the farmers. Informants recommended setting up model farms to demonstrate practices that one might want the farmers to adopt. Listening to, and fulfilling the needs of, rural farmers − which could be outside ones' core business activities − was just as important in building trusting relationships with farmers. Providing employment and other benefits to the rural community would offer the best insurance against farmers turning back on a lease agreement of any land use that New Zealand entrepreneurs might undertake.

5.8.6 Understanding the power game

Indeed, agribusiness pathways in China require a very tactful effort, in the view of the informants. It is regarded as a 'power game', where one must make judgements on the amount of margin that you want to extract today for the long-term benefits of tomorrow, and where all decisions act as components within an interactive system, from which the margins are extracted.

Such an understanding of the power game brings an end to the three results chapters, in which **Chapter 3** describes 'how things are', **Chapter 4** explores 'why things are the way they are', and **Chapter 5** explains 'agribusiness pathways in China'. The challenge for the researcher in the next chapter (**Chapter 6 Discussion and Theory Development**) is to go back to the literature to revisit

existing theory that could help to interpret these three results chapters, before delving into any new themes that have emerged, which will then be synthesised for future contemplation.

Chapter 6

Discussion and Theory Development

6.1 Introduction

The previous three chapters have described the complex operating environment the interviewed entrepreneurs found themselves working within (**Chapter 3**), some of the reasons they saw for such complexity (**Chapter 4**), and recommendations they drew from their experiences (**Chapter 5**). In **Chapter 3**, in particular, informants identified challenges both in the general environment and within the agri-food sector specifically. **Chapter 6** now aims to integrate these findings with existing literature and thereby deepen insight. Back references are made to informants' insights, mostly from **Chapter 3** and **Chapter 4**, where appropriate.

To be more specific, **Chapter 3** described, through the eyes of the informants, the rapid economic development in recent years in China, the hierarchical social structures, and the power of the government and the Communist Party within economic activities, as well as some ambiguity and flexibility in practices such as in the implementation of laws. Informants observed overall differences in the institutional cultures between China and New Zealand and diversity within Chinese institutional cultures, and also identified some key social institutions in China, including hierarchy, *guanxi*, and face, as well as the goals and responsibilities in life that Chinese view as important, particularly the survival and longevity of the family.

Informants also identified less straightforwardness in Chinese people's communications, and that contracts could be considered very differently in China compared to New Zealand. Chinese people were seen to have the tendency to rely on the collective, to hide behind social masks, and to avoid conflicts. In business execution, informants found that while some employees were resistant to change. They also found some business partners and/or competitors were willing to engage in illegal activities for financial gain. Many challenges were identified relating specifically to agribusiness, such as issues around land tenure, rural labour, intellectual property protection, biophysical constraints, and supply chain management, as well as developing system thinking in Chinese farmers and farm managers. Ignorance and arrogance were perceived by the informants as having contributed towards many of the past failures of New Zealand agribusiness ventures in China.

Chapter 4 shared the insights of the informants on possible explanations for the complex environment described in **Chapter 3**. Informants identified a different way of thinking that Chinese people have, and touched on the pragmatism they observed among the Chinese people, as well as their general reserve in granting trust. Chinese people's appreciation of win-win outcomes was one of several values they hold on to dearly, informants indicated.

Chapter 5 offered practical advice to future New Zealand agribusiness ventures in China. In particular, creating interdependence and going with the flow were given as advice for New Zealand entrepreneurs, which reflect how Chinese people conduct themselves in business dealings, as observed by the informants.

The following three categories provide a summary of the key points from **Chapters 3, 4 and 5** relating to the Chinese people:

How it is:

- hierarchy
- ambiguity
- flexibility
- diversity
- opposites coexist
- interconnectedness.

What is important:

- *guanxi*
- trust
- face
- harmony
- survival
- win-win.

What they do:

- avoid conflict
- go with the flow
- strive for interdependence
- eager for 'quick success'
- test everything.

The key points identified above encompass various aspects of the complex environment the informants found themselves in. Some of these have been extensively studied by scholars, particularly on the topics of:

- *guanxi* (Ai, 2006; Buckley, Clegg, & Tan, 2006; Chang, 2011; X.-P. Chen & Chen, 2004; Davies, Leung, Luk, & Wong, 1995; Fan, 2002; Gao, Knight, & Ballantyne, 2012; Lo, 2012;

Y. Luo, 1997, 2007; Y. Luo et al., 2012; Park & Luo, 2001; Shaalan, Reast, Johnson, & Tourky, 2013; Standifird & Marshall, 2000; M. M.-h. Yang, 1994; Y. Zhang & Zhang, 2006)

- trust (Bachmann & Inkpen, 2011; Blois, 1999; Cai et al., 2010; Castaldo et al., 2010; Huff & Kelley, 2003; Jiang et al., 2011; J.-D. Luo, 2005; J.-D. Luo & Cheng, 2015; J.-D. Luo & Yeh, 2012; Ndubisi, 2011; Newton, 2001; Welter, 2012)
- face (Cardon & Scott, 2003; Earley, 1997; Hwang, 1987; Mavondo & Rodrigo, 2001; M. M.-h. Yang, 1994; Zammuto, 2000).

These previous studies offer extensive insight into the importance, the categorisation, and the roles these social institutions play, as well as how they affect business dealings in China, particularly those involving a Western player within a business partnership. These studies were usually set within the generic commerce context, and were not specific to the agri-food sector, where some defining characteristics (as indicated in **Chapter 1**) apply.

The purpose of this PhD research extends beyond these prior studies in two ways. First, there is an endeavour to place these social institutions, along with the others recognised in this study, in a wider sociological context, to provide an interpretation of the reasons and origins of these institutions, as well as how they interact. Second, the aim is to place these social institutions in the context of food and agribusiness, and identify whether or not the unique and defining characteristics of the agribusiness sector have an impact on the functionality of these institutions.

In this discussion chapter, readers' attention is first drawn to existing knowledge within the literature on the key social institutions identified above. A closer look at how the different world views of Westerners and Chinese lead to contrasting strategic thinking across the two peoples is then taken, followed by a focused discussion on how the Chinese sociological system functions as a self-reinforcing organism. Some emergent ideas from the research results are then briefly discussed, and relevant future research topics are suggested. Lastly, readers are asked to refocus their attention on the question 'Is agribusiness different?'. An answer is sought in terms of whether the unique and defining characteristics of the sector have an impact on the social institutions identified, and consequently on business dealings, particularly relationship handling, and the challenges this creates for New Zealand entrepreneurs.

6.2 The Literature Revisited

The purpose of this section is to provide the basis for an assessment of whether the research results from this thesis confirm or conflict with past findings, or contribute something new. This

revisiting is structured into 'How it is', 'What is important' and 'What they do', as previously identified above.

6.2.1 How it is

6.2.1.1 Hierarchy

Scholars have long recognised the hierarchical social order that existed in Imperial China, and have largely attributed this to the influence of Confucianism (Z. Li, 2002; Snell & Choo Sin, 2003; Taylor, 1989). This hierarchical social order still exists in modern-day China, including the managerial realm, in both the government (C.-K. Wong, 2009) and commercial organisations (Kong, 2006; Krone, Chen, & Xia, 1997). This continuation of the hierarchy within society was found to be the case by many informants in this research, as indicated in *3.3 Political environment* and *3.4.1.2.1 Hierarchy*.

6.2.1.2 Ambiguity

'Ambiguity' here refers specifically to institutional ambiguity, which was seen by informants as a source of confusion and frustration when operating in China, including in business processes and communication (refer to *3.4.1.1.1 Differences and similarities in overall institutional cultures between China and New Zealand* and *3.5.2.1 Communication*), and in law enforcement, with particular regard to land-use right issues (refer to *3.3.1.1.2 The power of the government*). These findings echo previous literature. In the specific case of land-use rights, Ho (2001) argues that the Chinese government chooses to practice a "deliberate institutional ambiguity" to avoid social conflict, because "land policy-making strongly resembles a trial-and-error process accompanied by deliberate institutional ambiguity for political manoeuvring" (Ho, 2001, p. 417). Also in the context of land-use rights and property rights, Droege, Lane, and Spiller (2009) suggest that such institutional ambiguity arose from the ideological changes that were occurring while China transitioned into a Communist-led market economy.

What was not identified by the informants was the connection between this institutional ambiguity and the need for *guanxi* networks: Bian and Zhang (2014) see institutional ambiguity as an inevitable outcome of the economic reform that China had been undergoing, and believe that such institutional uncertainly encourages corporates to develop *guanxi*-based social capital to strengthen their competitive advantage. McNally (2011) argues that the lack of separation between the party-state's governance and judiciary system and the continued deep government involvement in economic affairs gives local officials wide discretion, creating institutional ambiguity:

> The power of local officials to intervene in society and economy … creates 'deliberate ambiguity' – ambiguity over how economic rules and laws will be enforced.… Therefore, while formal legal mechanisms have been proliferating in China, the institutional logic of *guanxi* continues to hold sway. (McNally, 2011, p. 19)

6.2.1.3 Flexibility

'Flexibility' here refers to the less rigid implementation of laws, rules, regulations, and contract adherence observed by the informants compared to what they had experienced in the Western world (refer to *3.3.2.3 Flexibility in practices of the law* and *3.5.2.2.1 Contracts are considered differently*). Flexibility, sometimes referred to as *biantong* (变通) in Chinese, has received attention from previous scholars (Corne, 2002; Peerenboom, 1999; Zhou, 2009). For example, Corne (2002) describes the Chinese legal system as appearing to operate in a way that defies logical explanation, particularly in law and regulation implementation, leading to the 'fog' observed by many. Zhou (2009) considers that uniformity in policy making combined with flexibility in implementation is one of three organisational paradoxes that are a consequence of the Chinese institutional logic of organisational adaptation to the operational environment. In fact, the Chinese word *biantong* literally means 'change and pass through', which in itself reflects Chinese thinking that adaptation leads to overcoming obstacles.

6.2.1.4 Diversity

The diversity in China is reflected in many aspects of business dealings, as observed by the informants. They identified diversity of institutional cultures in different parts of China, as well as between different genders and generations (refer to *3.4.1.1 Overall institutional environment*). Diversity was also recognised in the overall business environment (refer to *3.5.1.2 Diversity*). Previous literature, however, seems to have not focused on the diversity that exists within China, and future research in this area is warranted.

6.2.1.5 Opposites coexist

This concept of coexisting opposites lies at the heart of Daoism (丁常云, 2012), a philosophy that pre-dates Confucian thought. Further explanation of Daoist philosophy is given in section *6.3.2.1 Daoism* (below). As a philosophy, not only has Daoism influenced many great thinkers throughout ancient Chinese history, including Confucius, but it also continues to have an impact on contemporary Chinese thinking. Within contemporary Chinese thinking the idea of opposites that coexist, including dialectics, continues to play a significant role. Mao Zedong Thought, which is still one of the decreed guiding philosophies promulgated by the current Chinese government, also included perspectives on dialectics, in which contradiction is believed to be universal and absolute

within the natural and human world (Mao, 1937). Such a coexistence in China was identified by the informants as well, as mentioned in *4.2.3 Long-term and short-term thinking coexist*.

6.2.1.6 Interconnectedness

The interconnectedness or inter-relatedness of things reflects Chinese people's contextual understanding of the world. Many ancient Chinese texts speak about the interconnectedness of things (Murray, 2012): "The ancient Chinese assumed that events in the human realm reverberate throughout and impact the entire cosmos" (p. 521). They believed that heaven, earth, and humanity were three inter-related realms, and their perception of nature and nurture being inter-related led them to a belief in the shared efficacy of both nature and nurture (Murray, 2012). This interconnectedness was identified as still being strong in modern-day China, as indicated in *4.2.5 Straight-line vs. inter-woven logics*.

6.2.2 What is important

6.2.2.1 *Guanxi*

The concept of *guanxi* was discussed at length by the informants (refer to *3.4.1.2.2 Guanxi*). A term that fascinates the Western world, *guanxi* has received much attention from scholars around the world over the past decades. On an individual level, *guanxi* has often been categorised by the nature of the relationship: with family members, with friends, or with mere acquaintances, according to a review conducted by Y. Zhang and Zhang (2006). These authors also summarised three types of *guanxi*: the obligatory, the reciprocal, and the utilitarian (Y. Zhang & Zhang, 2006). On an organisational level, a meta-analysis conducted by Y. Luo et al. (2012) grouped *guanxi* as either involving other organisations, particularly those that have business transactions with the focal organisation, or government authorities. Looking from within an organisation, J.-D. Luo and Cheng (2015) use the concept of a '*guanxi* circle' and indicate that Chinese leaders categorise their staff members into in-group and out-group members. Similar to some informants' understanding of entering a person's circle of trust through the introduction of someone within the focal person's *guanxi* network, J.-D. Luo and Cheng (2015) also argue that the boundaries within and outside a *guanxi* circle are not fixed for the focal person, with members moving in and out of the circles according to the situation. This implies that there are often overlapping areas among *guanxi* circles, with bridges connecting various circles (J.-D. Luo & Cheng, 2015).

No matter how it has been categorised for the purposes of achieving a deeper understanding, or how it functions to connect various trust networks, *guanxi* is generally seen as important for business operations in China (Ai, 2006; Buckley et al., 2006; X.-P. Chen & Chen, 2004; Davies et al., 1995; Fan, 2002; Gao et al., 2012; Lo, 2012; Y. Luo, 1997; Park & Luo, 2001; Shaalan et al., 2013;

Standifird & Marshall, 2000; Y. Zhang & Zhang, 2006), with benefits such as reducing transaction costs (Standifird & Marshall, 2000), which suggests that the concept of social capital is embedded in *guanxi* (Bian & Zhang, 2014; Huang & Wang, 2011; Y. Luo et al., 2012). Yang (1994) also notes that *guanxi* exchange makes possible the production of symbolic capital, the possession of which compensates for the lack of material or political capital. It is this notion of *guanxi* as social capital and symbolic capital that this discussion will particularly draw on in a later section (refer to section *6.3.3.2 What is important*).

6.2.2.2 Trust

Trust is another topic that informants talked about at length (refer to *4.2.4 Trust has to be earned*). Trust in the context of business relationships has received much attention from international scholars (Bachmann & Inkpen, 2011; Blois, 1999; Cai et al., 2010; Castaldo et al., 2010; Huff & Kelley, 2003; Jiang et al., 2011; J.-D. Luo, 2005; Ndubisi, 2011; Newton, 2001; Welter, 2012), although not all of their research relates specifically to Chinese people. Among the various definitions of trust in the business context offered by scholars, the one summarised by Castaldo et al. (2010) in a content analysis of trust in scholarly research on business relationships seems to be the most comprehensive: trust is defined as:

> an *expectation* (or a *belief*, a *reliance*, a *confidence*) that a *subject* distinguished by specific *characteristics* (honesty, benevolence, competencies, and other antecedents) will perform *future actions* aimed at producing *positive results* for the trustor in situations of consistent *perceived risk* and *vulnerability*. (pp. 665-666)

Although the level of interpersonal trust is recognised as being lower among Chinese people compared to that in (what are categorised as) individualist cultures (the United States and Germany;) (Huff & Kelley, 2003), and a low level of trust is prevalent in Chinese society (Child, 1998), trust is nevertheless considered important in business dealings by the Chinese (Cai et al., 2010), and is often associated with obligations (J.-D. Luo, 2005). Furthermore, trust is regarded as a form of social capital, which contributes positively to democratic stability (Inglehart, 1999; Newton, 2001). Similar to the review of *guanxi* above, it is this concept of trust as social capital that this discussion will draw on at a later stage (refer to section *6.3.3.2 What is important*).

6.2.2.3 Face

The concept of face was often mentioned by informants during the interviews (refer to *3.4.1.2.3 Face*). Sometimes referred to as *mianzi* (面子) and/or *lian* (脸), the concept of face has also been the research focus of many scholars, who unanimously agree on the importance of the concept within the context of business dealings in China and/or with the Chinese (Au, 2014; Buckley et al.,

2006; Cardon & Scott, 2003; Earley, 1997; Hwang, 1987; P. C. King, 2010; Leung & Chan, 2003; M. M.-h. Yang, 1994; Zammuto, 2000). 'Face' refers to an individual's social position and prestige, which is acquired by performing specific social roles that are well recognised by others (Hu, 1944). Face is also an emblem for personal identity and for the autonomy and integrity of personhood (M. M.-h. Yang, 1994). Some scholars suggest that there is a difference between the meaning of *mianzi* and *lian*, with the former focusing on one's reputation and prestige, while the latter involves a person's endorsement and enactment of good morals (Earley, 1997; Hu, 1944; P. C. King, 2010). *Mianzi*, in particular, is vitally important in Chinese society and requires all parts of a business relationship to be protected on a reciprocal basis (Buckley et al., 2006). Earley (1997) has suggested that *mianzi* could act as a form of social currency by which fortunes could be won or lost, while others take it further and regard *mianzi* as social capital (Chan, 2006; Graham & Lam, 2003). This is further discussed below (refer to section *6.3.3.2 What is important*).

Yang (1994) also notes that there is a link between face and *guanxi* exchange, in that by losing or giving away part of one's substance (in forms of gifts, banquets or favour) in *guanxi* exchange, one paradoxically gains face. Conversely one loses face when receiving another's substance in the art of *guanxi*, and the greater the amount of another's substance one receives, the more face one loses.

6.2.2.4 Harmony

Although the word 'harmony' was not always mentioned by the informants, they did specifically talk about Chinese people's tendency to compromise and avoid conflict (refer to *3.4.2.4 Conflict avoidance* and *5.5.1.2 Compromise*), reflecting a preference for harmony. Originating from Daoist philosophy and endorsed by Confucianism, the importance of harmony to the Chinese people derives from Chinese culture being highly contextual (G.-M. Chen, 2002; Cheng, 2006; T. Cone, 2007; Earley, 1997; Jullien, 1999, 2004; Z. Li, 2002; Nisbett, 2003; 丁常云, 2012), in which an indirect communication style is emphasised (Cardon & Scott, 2003; G.-M. Chen, 2002), and harmonious social relationships are desired (Lin, 1935). Regarded as the 'cardinal value' of Chinese culture, harmony guides Chinese people's pursuit of a conflict-free relationship, and forms "the ontological foundation by which Chinese regulate the transforming, cyclic and never-ending process of human communication" to reflect their perceived "interlaced system of the comprehensive harmony of natural equilibrium" between man and nature (G.-M. Chen, 2002, pp. 4-5).

6.2.2.5 Survival

The concept of survival was raised by several informants (refer to *3.4.1.2.4.1 Survival*, *3.4.1.2.4.2 Family responsibilities*, and *3.4.2.2 Rely on the collective and stay unnoticed*). In the literature the survival instinct is described as a characteristic of millions of ethnic Chinese living in various parts of Asia. It is this survival instinct that helps ethnic-Chinese businesses stay afloat in stormy economic waters (Vatikiotis & Daorueng, 1998). ''The Chinese family business format was designed to survive intense volatility,'' said Gordon Redding, a Hong Kong-based expert on ethnic-Chinese business in Asia (*South China Morning Post*, 15 January 1998, as quoted by Mok and Defranco (2000, p. 100)). Tong (2014) argues that such a survival instinct is driven by the fear of failure. This could be viewed as an extension of the idea of the survival instinct being regarded as a motivation for war stratagems, and therefore adopted in Chinese business behaviours, particularly in their negotiation style (Sebenius & Qian, 2008).

6.2.2.6 Win-win

The concept of win-win was identified by informants as one of the value systems that exist in China (refer to *4.3.2 Win-win*). Whether it is in a political conflict, or a business negotiation, Chinese people see a win-win solution as the ultimate goal to strive for (Haihua Zhang & Baker, 2008). H. Zhang and Baker (2008) give the example that if Chinese people are trying to form a joint venture with a Western partner to gain access to things they deem important, such as technology and management know-how, they would be willing to compromise and agree on terms that are temporarily unfavourable to them, and see this as a win-win solution, rather than seeing it as taking an unfavourable setback. However, while such a relationship-based win-win mentality prevails, a competition-based win-lose mind-set also exists among Chinese business negotiators, as indicated by Zhao (2000), as well as by Fang and Faure (2011), who argue that a win-win outcome is only strived for with a trusted partner.

Drawing on the insights from the results chapters on how Chinese people value the commitment shown by their foreign business partners (refer to *4.3.3 Commitment*), one can possibly hypothesise that placing a high value on foreign business partners' commitment is consequential to a belief in a potential win-win outcome. In other words, Chinese people need to first see a potential for a win-win outcome with a trusted partner, then they will value such a partner's commitment – without a win-win outlook, a commitment is purely foolish.

6.2.3 What they do

6.2.3.1 Avoid conflicts

Conflict avoidance was identified as a trait of the Chinese people by some informants (refer to *3.4.2.4 Conflict avoidance* and *5.5.1.2 Compromise*). In the literature Chinese executives are

described as more likely to avoid conflicts compared to Canadians, while recommending more negative strategies such as discontinuation of or withdrawal from negotiations (Tse, Francis, & Walls, 1994). Moise (2013) attributes this tendency towards conflict avoidance to Chinese people's preference for harmony under the guidance of Daoist and Confucian doctrines. Within an organisation, Chinese tend to eliminate conflicts where possible, and if not, they pretend that such conflicts do not exist. "Social harmony or, at least, the appearance of it, is crucial" (Fernandez, 2004, p. 53). However, using the theory of co-operation and competition, Tjosvold, Wu, and Chen (2010) suggest a distinction between harmony-as-goal and harmony-as-technique in the context of conflict management, arguing that harmony-as-goal might in fact encourage open discussions of opposing opinions, whereas harmony-as-technique tends to shut down such opposing opinions for the purpose of avoiding conflicts and reinforcing hierarchy.

6.2.3.2 Go with the flow

'Go with the flow' was recommended by the informants as one of the right attitudes to adopt when venturing into China (refer to *5.5.1.1 Go with the flow*). Going with the flow was also identified by the informants as the way Chinese do things, as reflected in their willingness to bend certain rules when it was deemed necessary in order to be reasonable (refer to *3.3.2.3 Flexibility in practices of the law*, *3.5.2.3.7 Bribery*, *3.5.2.3.8 Counterfeiting*, *3.5.3.1.4 Intellectual property (IP) protection*, and *3.5.3.2.3 Food safety concerns*).

The concept of going with the flow originates from Daoism, referring to the flow of water being an ideal representation of how things always develop according to their inherent natural course, just as water always flows from high to low (Watts, 2010), emphasising flexibility, spontaneity, and non-action (*wuwei* 无为, do nothing and leave nothing undone) (Chuang, 2002; Ip, 2009; Jullien, 2004). Such thinking is also reflected in the way Chinese do business, with its influence reaching across Asia. Adamson, Chan, and Handford (2003) note that Asian entrepreneurs tend to perceive the external environment as a source of uncertainty and are therefore inclined to "adapt themselves to their environment and 'go with the flow'" (p. 347). M-J Chen (2002) offers a different understanding, from the perspective of time, of the Chinese preference for going with the flow. Viewing time as cyclical, in which events are elastic and coexist, Chinese tend to adopt a long-term perspective and an expansive view of business performance and success, preferring to go with the flow, as opposed to having an emphasis on efficiency like many Westerners. Indeed, whether it is from the perspective of the external environment or time, the key concept within 'going with the flow' is adaptation to suit circumstances.

6.2.3.3 Strive for interdependence

Interdependence was identified by some informants as part of relationship building in China (refer to *5.4.3.3 Interdependence*). The idea of interdependence in China can again be traced back to Daoist philosophy, in which the universal principle of *yin* and *yang* is described as two opposing forces that complement each other via an interdependent relationship (丁常云, 2012). The profound influence of Daoist thinking has meant that Chinese people, living in a relational, Confucian society, "assume the interdependence of events, and understand all social interactions within the context of a long-term balance sheet" (Yeung & Tung, 1996, p. 55). Chinese people nurture long-term mutual interests "to create an interdependence between the two parties in the relationship so that there will be a great cost to either side in severing such ties" (Yeung & Tung, 1996, p. 62).

Such a view of using interdependence to reduce costs can be found in the context of business in China, and is confirmed by the research of Wong, Tjosvold, and Yu (2005), who found that the co-operatively related goals of the parties within a relationship induce interdependence as a goal for the relevant parties while discouraging opportunistic behaviours. In other words, in China, when relevant parties see their goals as having the potential to complement each other and reduce costs, they work towards a goal of forming an interdependent relationship. This concept of interdependence applies to relationships between businesses and between business and government agencies. As Tjosvold, Peng, Chen, and Su (2008) discovered with the assistance of the theory of co-operation and competition, the concept of goal interdependence can be helpful in understanding the collaboration between government agencies and private businesses in China.

6.2.3.4 Eager for quick success

Many informants observed that Chinese people are eager for quick success (refer to *3.5.2.3.6 Eagerness for quick success*). Wang (2008) describes Chinese people as being "eager for quick success and instant benefit and fixated on the idea of winning by a fluke, a single lucky roll of the dice", and attributes this to "China's pragmatism during the open and reform period, which established economic interests as the main goal" (p. 265). The Chinese word for 'quick success', 急功近利, has long existed in the Chinese vocabulary, dating back to around 100 BCE ("急功近利," 2015), indicating the cultural significance of this concept within China. Perhaps the tendency to be eager for quick success has always existed in China, but has possibly been magnified with the vast opportunities generated by the rapid economic development in recent years. It is also possible that increased migration across different parts of China in recent years has meant that

people can relatively easily escape the criticism and possibly even revenge from the victim of a quick success act, encouraging such behaviour within modern society.

This eagerness for quick success is possibly also linked to the existence of the competition-based win-lose mind-set mentioned in *6.2.2.6 Win-win* above. Contemplated together with the concept of pragmatism, one can perhaps hypothesise that it is Chinese pragmatism that sees the win-lose outcome as inevitable sometimes, if favourable circumstances arise, and no guilt should be felt if the non-trusted partner loses, or if not-so-above-board activities were engaged in to ensure such a win. A further extension of this hypothesis would be that the concept of quick success sits opposite the concept of win-win, and that while both coexist, which becomes dominant will be dependent on the circumstances; namely, whether the partner within a relationship is trusted or not, and whether there is substantial gain to be made through a quick-success exercise.

Nevertheless, it is perhaps also true that win-win is given more importance than quick success by Chinese people. This is because through win-win other important aspects, including *guanxi*, trust, face, harmony, and long-term survival, can be achieved. In other words, win-win sits in accordance with the other social institutions that are viewed as important by the Chinese. Quick success, on the other hand, risks losing all of these other perspectives in the hope of substantial self-gain in the short term. Indeed one could perhaps hypothesise that quick success is the second-best option for many Chinese, when they see win-win is not worth being pursued or is unlikely to be achieved.

6.2.3.5 Test everything

Shenkar and Ronen (1987) describe the Chinese people as being uniformly cautious in requesting assistance from those outside their kinship groups. This is related to the low level of trust within Chinese society mentioned by Child (1998). Such caution was also advised by many informants in this study (refer to *5.4.2.5 Test everything*, and to a lesser degree *3.5.2.2.2 Drinking test*). The idea of testing everything stems from this inherent low level of trust, generating caution towards those outside one's trusted circle. Very limited literature has identified this concept of testing everything as a self-defence mechanism adopted by the Chinese. However, the empirical evidence from this research would warrant future scholarly endeavour in this area.

6.2.4 The high-context culture

Within the themes identified in the results chapters, there are some key characteristics (such as hierarchy, interconnectedness, *guanxi* and avoid conflicts) that provide empirical evidence to consider Chinese culture as a high-context culture, as defined by Hall (1989). According to Hall (1989), within high-context cultures, people are deeply involved with each other, and as a result

of intimate relationships among people, a hierarchical social structure exists; whereas people in low-context cultures tend to be more individualised, somewhat alienated, and fragmented, and have relatively little involvement with the others. Also, there is a greater distinction between insiders and outsiders within high-context cultures than that in low-context cultures, and businesses tend to depend more on connections and relationships. Other scholars have also endeavoured to provide empirical evidence to view Chinese culture as a high-context culture. For example, in a comparative study conducted by Kim, Pan, and Park (1998), both Chinese and Korean subjects display a stronger consistency with Hall's definition of high-context cultures, compared to Americans.

6.2.5 Chinese pragmatism

The pragmatic way of thinking of the Chinese people and their subsequent behaviours was discussed at length by the informants (refer to *4.2.2 Pragmatism*), and this has been discussed in previous literature (Choy, 1987; Elkin, Cone, & Liao, 2009; P. Ho, 2009; Haina Zhang, Cone, Everett, & Elkin, 2011). Choy (1987) observed pragmatic behaviour among the Chinese ethnic businesses in Singapore in terms of adopting 'foreign' practices in order to thrive. Ho (2009) has identified two distinct features of Chinese pragmatism: credibility and gradualism: "The former implies shedding ideology in favour of seeking that which works, while the latter implies keeping an eye on the role of time" (p. 182). To explain the origins of such pragmatism, both Elkin et al. (2009) and Haina Zhang et al. (2011) attribute it to the relational world view held by the Chinese people. Their understanding of the world around them is constantly evolving, and given that all elements within the universe are seen as inter-related, this guides their practice of adapting the organisation to the environment for a better fit, because they see that whatever works is right (Elkin et al., 2009).

6.3 Through Different Eyes

Having reviewed the relevant literature, the focus of this chapter now moves to an interpretation of the origins of, and the relationships between, the key points identified from the three results chapters. In doing so, this exposition depicts the complex environment that New Zealand agribusinesses find themselves operating within when venturing into China.

The first step on this journey towards a synthesis of these key points should be an attempt to understand the fundamental differences in how Westerners and Chinese see the world, starting with a review of the Western world view.

6.3.1 Western world view

More than a billion people in the world claim an intellectual inheritance from ancient Greece (Nisbett, 2003; Shand, 2002). Many of these have also been heavily influenced by the Judaeo−Christian traditions (Shand, 2002). 'Westerners' in this discussion refers to people of European culture who have been heavily influenced by the Greek and Judaeo-Christian traditions.

Many Westerners, influenced by the philosophical debates of Ancient Greek thinkers in the Classical period, have a sense of *personal agency*, believing that they are in charge of their own destiny and free to act as they choose. Ancient Greeks saw themselves as unique individuals who possessed distinctive attributes and goals. They also held the belief that there is a distinction between the external, objective world and the internal, subjective world. Their sense of personal agency and individuality encouraged a tradition of debate, through which their curiosity about the world, especially the external, objective world, was fulfilled (Nisbett, 2003).

An important strain in ancient Greek thinking, which was incorporated into, and continues to have significant impact on, Western thinking today, constructed models of the world "by categorising objects and events and generating rules about them that were sufficiently precise for systematic description and explanation", and explained their observations with underlying principles derived from previous observations (Nisbett, 2003, p. 4). Through meticulous categorisation and rigorous debates, these ancient Greeks aimed to discover the 'truth', which ought to apply to all things within a certain category, because if it didn't, then what the 'truth' did not apply to did not belong to the category. In this rigorous debate, these Greeks used propositional logic under the principle of non-contradiction, in which if one proposition was seen to reflect the truth, then the contra-proposition must be rejected (Nisbett, 2003). This logical analysis extended the Greeks' tendency to de-contextualise. "Logic is applied by stripping away the meaning of statements and leaving only their formal structure intact. This makes it easier to see whether an argument is valid or not" (Nisbett, 2003, pp. 25-26).

Many modern-day Westerners have continued this Greek tradition, and through the same meticulous categorisation, rigorous debate, and logical analysis they identify what falls short in this world and then create models of what is ideal. They then project the world onto these models, on which they can base plans to be executed (Jullien, 2004). As the French philosopher Jullien (2004, p. 1) points out, "we choose to intervene in the world and give a form to reality. And the closer we stick to that ideal form in the action that we take, the better our chances of succeeding."

This idea of intervention sets the foundation for the strategic management thinking that is dominant in the West. Drucker saw his management by objectives as "the process in which decisions are made, goals are identified, priorities and posteriorities are set, and organization structure designed for the specific purposes of the institution" (Drucker, 1976, p. 19). Porter's concept of competitive advantage builds upon a distinct winner-loser mentality that prevails in the West; his Five Forces Framework, which is often referred to in the literature, functions by identifying different kind of forces imposed upon a business operation through careful categorisation, from which a plan for implementation towards a long-term target is then devised (Porter, 2008). The resource-based view championed by Barney (2001, p. 649) works on the assumption that "resources and capabilities can be heterogeneously distributed across competing firms, that these differences can be long lasting, and that they can help explain why some firms consistently outperform other firms". This reveals a perspective whereby there is a distinction between the external, objective world and the internal, subjective world, as a firm's sustained competitive advantages come from its better utilisation of the *external* resources and *internal* capabilities.

From Drucker's management by objectives (Heller, 2001; Kiessling & Richey, 2004; Watson, 2002), to Porter's thinking on competitive advantage and Five Forces Framework (Barney, 2001, 2011; Miller, 1998; Porter, 1996, 2008), to Barney's resource-based view (Barney, 2001, 2011), the concept of intervention sits at the heart of the thinking, with one's eyes fixed upon a target, an ideal model, and the steps for implementing a pre-established plan are outlined. As Stonehouse and Pemberton (2002) point out, strategic management "concerns the long-term success of the whole organisation and is a vehicle through which managers can *plan* for the future" (p. 853), and "strategic planning centres on the setting of long-term organisational objectives, and the development and implementation of *plans* designed to achieve them [Italics added] (p. 854)". Among these various thoughts there is a distinction between what is inside an organisation and what is outside; and there is always a discrepancy between what is ideal and what is reality – a distinction that directs one to consider what is in control and what is not; and a discrepancy that motivates one to strive for the ideal through the implementation of pre-set plans. One may argue that the 'system thinkers' were one step removed from such categorisation. But whether it is the system dynamics advocated by Forrester (1961, 2007), soft system methodology recommended by Checkland (2000), or the combination of both suggested by Rodriguez-Ulloa and Paucar-Caceres (2005), what remains crucial to these recommended processes is the construction of a *model*. Although regular evaluation and adjustment of the model are recommended, in order to

take changing circumstances into consideration, it is the construction of a model that allows reality to be compared to the ideal.

6.3.2 Chinese world view

Ancient Chinese, on the other hand, favoured a sense of *collective agency* and *harmony* among the members of the collective. Individuals were deemed to be inseparable from the various collectives one was a member of. This was because they "saw the world as consisting of continuously interacting substances, so their attempts to understand it caused them to be oriented toward the complexities of the entire … context or environment as a whole" (Nisbett, 2003, p. 21). As Needham (1962) argued, the Chinese view of "the universe was a continuous medium or matrix within which interactions of things took place, not by the clash of atoms, but by radiating influences" (p. 14). Ancient Chinese intuitively saw that events always occurred in a field of forces, which were forever changing. For them there was no distinction between what was deemed subjective and what was objective, and there was no desire to understand the world for the sake of seeking the truth. Rather, between humans and nature, as well as between humans and other humans, *harmony* was the key word, what they strove for, and their effort in understanding the world was always based on practical reasons, because "thought that gave no guidance to action was fruitless" (Nisbett, 2003, p. 19). With this contextual view of the world, Chinese people have developed a culture that is distinctly high-context oriented.

Unlike many Westerners, who strive to be *rational* through logic, modern Chinese people, retaining their high-context culture, follow the tradition of their ancestors in their endeavour to be *reasonable* – reasonable within a context, which is always part of the consideration due to the fundamental relatedness of all things. "Complexity and interrelation meant for the Chinese that an attempt to understand the object without appreciation of its context was doomed. Under the best of circumstances, control of outcomes was difficult" (Nisbett, 2003, p. 19).

Looking specifically at social settings, compared to the advocated, unique, individual rights which Westerners insist on respecting, "individual rights in China were one's 'share' of the rights of the community as a whole, not a license to do as one pleased" (Nisbett, 2003, p. 6). In seeking the best interest of the collective, harmony was emphasised, and debate and confrontation were discouraged and avoided wherever possible (Nisbett, 2003). The philosopher Lloyd observed that "the Chinese generally conceded far more readily than did the Greeks, that other opinions had something to be said for them", compared to the attitude in the West, that "in philosophy, in medicine, and elsewhere there is criticism of other points of view" (Lloyd, 1990, p. 550).This preference for harmony, however, should not be confused with a desire for conformity (Nisbett,

2003): one chooses to actively contribute to the society by harmonising various parties, seeing others' point of view, rather than passively conforming to set social rules with reluctance. However, an alternative perspective could be that although this was what Confucius thought a true gentleman should do, whether or not Chinese people find this realistic is another matter.

6.3.2.1 Daoism

Confucianism, Daoism (or Taoism) and Buddhism are the three mainstream philosophies that have shaped Chinese people's attitude towards life. The former two are themselves the products of China's own culture, while Buddhism came to China at a much later time, but gained considerable acceptance and influence because of its similar outlook on life to the former two philosophies (Nisbett, 2003).

Daoism offers a systematic explanation of what the world is like, which is precisely a reflection of the Chinese world view. Chinese people see the world as constantly changing and full of contradictions. The opposite state of any situation exists, so that either can be identified in relation to the other. The Daoist symbol of *yin* (the feminine and dark and passive) and *yang* (the masculine and light and active) twirling into each other reflects this perception of the world. In the Daoist symbol, the white swirl has a black dot in it, and the black swirl has a white dot in it (**Figure 2**). "The principle of *yin-yang* is the expression of the relationship that exists between opposing but interpenetrating forces that may complete one another, make each comprehensible, or create the conditions for altering one into the other" (Nisbett, 2003, p. 14). Within this contradictory world, Daoism emphasises the harmonious coexistence of man and nature, with the ultimate goal being man and nature unified (丁常云, 2012). It seeks to find integration between individuals, society, and nature (T. Cone, 2007).

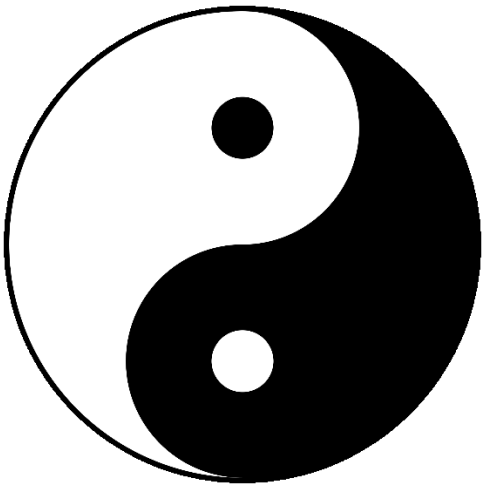

Figure 2 The Daoist symbol

(public commons)

Daoism has profoundly influenced the Chinese interpretation of strategic thinking. This is different from the traditional Western style of strategic thinking, where a goal is set and then the procedure to achieve the goal is worked out for implementation. The Chinese develop their strategic thinking around two notions: the notion of a situation or configuration (xing, 形), "as it develops and takes shape before our eyes as a relation of forces"; and the notion of potential (shi, 势), "which is implied by that situation and can be made to play in one's favour" (Aligica, 2007, p. 331). Chinese strategic thinking relies on the inherent potential of the situation, and Chinese people choose to be carried along by this potential as it evolves. In other words, Chinese tend to 'go with the flow', because they believe that by following 'the Dao of things', things are likely to be the most productive or profitable. As Jullien (2004, p. 16) points out:

> Rather than set up a model to serve as a norm for his actions, a Chinese sage is inclined to concentrate his attention on the course of things in which he finds himself involved in order to detect their coherence and profit from the way that they evolve.… In short, instead of imposing our plan upon the world, we could rely on the potential inherent in the situation.

6.3.2.2 Confucianism

Confucianism builds upon the world view embraced by Daoism and focuses on the ethics and morals within the relationships of a society, governed under a hierarchical structure (D. Hall & Ames, 1987; Rarick, 2007). Xing (1995) summarises Confucianism as follows:

> As a moral system, Confucianism focuses on the relationship between man and man, which is defined by five virtues: humanity/benevolence (ren 任), righteousness (yi 义), propriety (li 礼), wisdom (zhi 智), and trustworthiness (xin 信). Another focus is on the five hierarchical relationships between father and son, ruler and ruled, husband and wife, elder brother and younger brother, and friend and friend (this pair is equal in position). These are the virtues and relationships of a society where all are inherently kept in order. Society is seen as a hierarchical pyramid of roles which entail fairly well established norms governing how people should act and behave in relation to people in other roles. Social hierarchy and relations of subordination and superiority are considered natural and proper. Apart from the performance of assigned duties, filial submission, loyalty, decency, or reciprocity are also required. Protest, dissent, and criticism are appropriate only when the authorities have inadvertently deviated from the principles of good government, but questioning the pre-defined social order is forbidden. In retaining the paternalism and emphasis on kinship, Confucianism requires a broad commitment to a harmonious operation and the welfare of

the society. Confucian principles provide the basis for Chinese organizational bureaucracy, respect for seniority, rituals of etiquette and ceremony, and various types of business relationships.

In summary, Confucius emphasised clear obligations between the parties within each set of relationships, and insisted that fulfilling these obligations would ensure the thriving of the society, starting from the basic family unit, through to the community and the country (D. Hall & Ames, 1987).

The claim that "Confucianism builds upon the world view embraced by Daoism" may draw scholarly debates, as some believe that Daoism differs from Confucianism by its rejection of the necessity of social norms and hierarchy (Munro, 1969; Whitman, 1985). However, the fact that Confucianism promotes social norms and hierarchy reflects a pragmatic attitude that Confucians choose to adopt, having acknowledged that social norms and hierarchy exist regardless of one's rejection or not. In other words, Confucianism does "build upon the world view embraced by Daoism" by its pragmatic acceptance of social normal and hierarchy, and the expression of this pragmatism through its emphasis on ethics and social relations as a practical way of moving a society forward.

6.3.3 Chinese sociological system

It is this distinctly different world view of the Chinese people and the influencing philosophies such as Daoism and Confucianism that have led to the uniquely complex environment which the interviewed New Zealand entrepreneurs encountered when they ventured into China. To understand this, the readers are invited to revisit the key points identified from the results chapters listed at the start of this chapter.

Figure 3 below is a diagram that the researcher proposes as a way of interpreting how the key points tie in together.

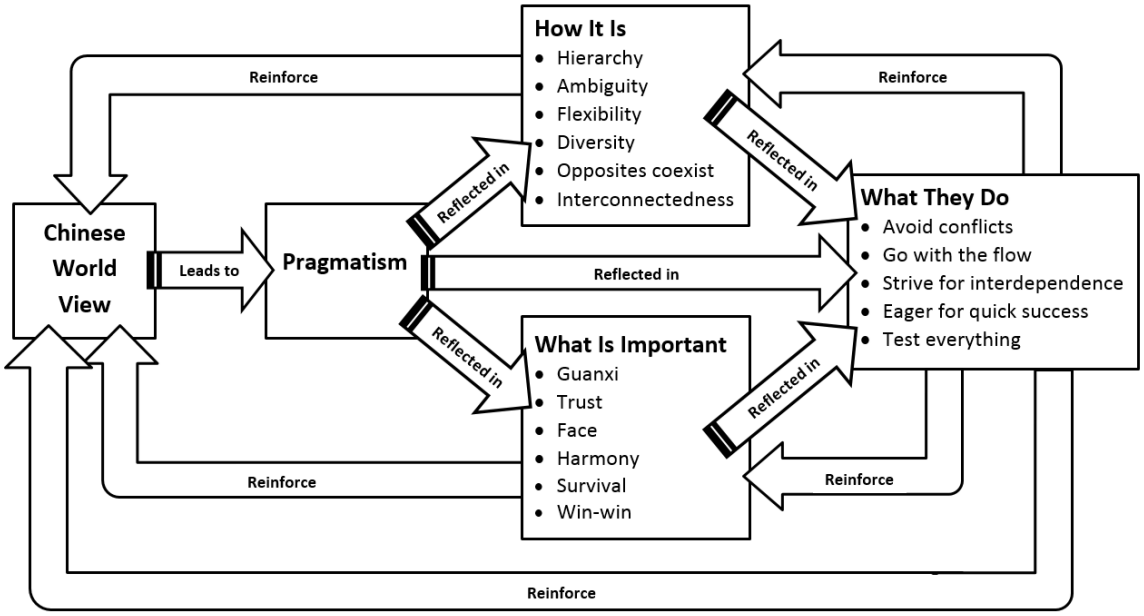

Figure 3 Chinese sociological system

This figure argues that Chinese people's view of the world leads them towards a tendency to be pragmatic. This pragmatism is then reflected in 'how it is' in terms of the sociological environment, including hierarchy, ambiguity, flexibility, diversity, opposites coexist, and interconnectedness. Also reflecting this pragmatism is 'what is important' to the Chinese people, including *guanxi*, trust, face, harmony, survival and win-win; as well as 'what they do', including avoid conflicts, go with the flow, strive for interdependence, eager for quick success, and test everything. At the same time, 'how it is' and 'what is important' are also reflected in 'what they do', and what they do reinforces how it is and what is important. These three aspects, meanwhile, all reinforce the Chinese world view, making the entire sociological system a self-reinforcing organism.

Drawing on Bourdieu's theory, the following discussion provides a more in-depth explanation of this diagram.

6.3.3.1 How it is

The Chinese view of the world as a place where all things are interconnected and constantly changing within the influencing context has meant that they regard pragmatic approaches as the best way forward. This pragmatic attitude is reflected in their recognition of and submission to the hierarchical power structure within society. Their flexibility in law implementation and contract adherence reflects their pragmatism in acknowledging situational impacts. For an observer, such flexibility can be viewed as ambiguity. The magnitude of China's geography as well as its extended historical influence have created diverse contexts, within which the pragmatism of

the Chinese people has expressed itself differently according to the specific contexts, leading to a diversity in behaviours and environments that foreign businessmen experience in China. These behaviours and environments can be so different, that opposing phenomena may seem to coexist. Lastly, perhaps partly due to a long history of subsistence agriculture and the competition for resources it created, Chinese people's pragmatism sees them practising interconnectedness, creating this kind of environment, out of precisely such an interpretation of the world.

These characteristics of the sociological environment in China are in fact descriptions of the 'cultural field', as defined by Bourdieu, in China. According to Bourdieu, a 'field' is defined as "a network or a configuration of objective relations between positions" (Bourdieu, 1992, p. 72). Webb, Schirato, and Danaher (2002) take this further and indicate that a cultural field refers to "a series of institutions, rules, rituals, conventions, categories, designations, appointments and titles which constitute an objective hierarchy, and which produce and authorise certain discourses and activities" (pp. 21-22).

Cultural fields should therefore be considered as "arenas of social relationship that are characterised by power differentials among the actors who make them up" (Houston, 2002, p. 157). They are made up "not simply of institutions and rules, but of the interactions between institutions, rules and practices" (J. Webb et al., 2002, p. 22).

The advantage of recognising these sociological characteristics in China will be discussed in *6.3.3.4 Thinking through Bourdieu*, but it is worth recognising here that these characteristics reinforce the stance of the Chinese people's world view, and influence their actions in practice ('what they do').

6.3.3.2 What is important

Chinese people's pragmatic attitude also guides them to value *guanxi*, trust, and face as important *capitals*. They are referred to as capitals because they fit with how Bourdieu defines them in the context of sociology. Bourdieu defines a capital as "a weapon and a stake of struggle [which] allow the possessors of that capital to wield a power, an influence, and thus to exist in the field, instead of being considered a negligible quantity" (Bourdieu, 1992, p. 98). He sees capital as a determinant for the outcome of competition in a given field. There are four types of capital: economic, cultural, social, and symbolic:

> Economic capital refers to wealth defined in monetary terms; cultural capital involves a person's or institution's possession of recognized knowledge; social capital is constituted by social ties; and symbolic capital refers to one's status, honour or prestige. (Houston, 2002, p. 158)

According to these definitions, *guanxi* should be regarded as cultural, social, and symbolic capital; face as symbolic capital; and trust as both cultural and social capital. All three, in suitable circumstances, can be utilised for one's financial gain, hence translating them into economic capital – and therein lies the pragmatism of the Chinese people in this kind of utilisation. Within the three types of capital, *guanxi*, in particular, is being used to maintain harmony for the purpose of preventing institutional impediments getting in the way of self-interest, which is itself a reflection of Chinese people's pragmatic thinking.

At the same time, Chinese people's pragmatism has led to a belief that harmony is essential for moving things forward in life, such that compromise is inevitable to address conflicting interests from various directions. Meanwhile, the harsh and competitive environment in China has meant that prioritising one's own and one's family's survival is highly practical. A win-win outcome is the best way to ensure the long-term security of a business deal, hence better survivability, which again reflects Chinese people's pragmatic thinking. Also, while survival and win-win do not fit the definitions of any of the economic, cultural, social, and symbolic capitals defined by Bourdieu, the *ability* to survive and to create win-win dispositions is directly linked with one's attainment of all of these capitals.

Harmony, as well as survival and win-win, fits in well with the concept of 'habitus', which is explained by Bourdieu (1977, pp. 72, 95):

> [Habitus is] the strategy generating principle enabling agents to cope with unforeseen and ever-changing situations … a system of lasting and transposable dispositions which, integrating past experiences, functions at every moment as a *matrix of perceptions, appreciations, and actions* and makes possible the achievement of infinitely diversified tasks.

Bourdieu (1989) sees habitus as internalised social structures. It is "a second nature and so forgotten as history", and "is the active presence of the whole past of which it is the product" (Bourdieu, 1990, p. 56). Webb et al. (2002, p. 44) explain that "habitus can be understood as value and dispositions gained from our cultural history that generally stay with us across context (they are durable and transposable)". Chinese people's desire for harmony, their sense of survival and valuing of win-win, are all products of historical development, where living conditions could be harsh and a harmonious relationship and a win-win disposition often offered the best chance of survival.

Whether capitals or habitus, all of these six institutions (*guanxi*, trust, face, harmony, survival, and win-win) that are deemed important by the Chinese people ultimately direct what they do, while at the same time reinforcing their contextual view of the world.

6.3.3.3 What they do

Chinese people's pragmatism is also reflected in their actions. They avoid conflicts for the sake of maintaining harmony and/or reinforcing hierarchy, and they go with the flow as circumstances change. Chinese people also strive to create interdependence in their business dealings, to satisfy their desire for long-term security and hence survivability. They are often eager for quick success, a pragmatic attitude that possibly always existed but has been amplified by the vast opportunities generated by the rapid economic development in recent years. Lastly, their practice of testing everything is a reflection of their reluctance to trust people they don't know, which is a pragmatic approach for self-protection; it is also a practical solution for wading their way through the ambiguity and flexibility presented to them.

All of these characteristics of 'what they do' reinforce the institutions described in 'how it is' and 'what is important' for the Chinese people, while at the same time creating a world around them that affirms their view of the world – a world that is full of contradictions and interconnectedness, making all things situation-dependent, and consequently justifying pragmatic approaches, hence completing the self-reinforcing system.

6.3.3.4 Thinking through Bourdieu

A further contemplation of the above diagram (**Figure 3**) using Bourdieu's concepts of cultural field, capital, and habitus provides a deeper understanding of this self-reinforcing sociological system. Bourdieu's thinking on cultural field, capital, and habitus has been widely commended by many scholars (Houston, 2002; Lynam, Browne, Reimer Kirkham, & Anderson, 2007; Moore, 2004; Özbilgin & Tatli, 2005; Swartz, 1997; J. Webb et al., 2002). But his contribution to sociology goes far beyond the field of culture. Bourdieu's formula incorporating habitus, capital, field, and practice has been extensively applied in many fields, including social movements (Crossley, 2003), paediatric practices (McKeever & Miller, 2004) , and education (E. S.-c. Ho, 2009). This formula is expressed as:

> **habitus x capital + field = practice** (Bourdieu, 1984).

When applied in the arena of culture, the field in the formula above refers to a cultural field. This formula can be applied to the diagram (**Figure 3**) above, where the characteristics of the sociological environment in 'how it is' are descriptions of the 'cultural field'; the institutions

mentioned in ‘what is important’ are capitals and a description of the habitus; and lastly, ‘what they do’ entails the practice as a result of the habitus, capital, and field that Chinese people possess or find themselves in. What is not explicit in this formula − but is clearly expressed in **Figure 3** − is the self-reinforcing mechanism within the sociological system described by the diagram, where arrows of ‘reinforce’ point back to ‘how it is’, ‘what is important’, as well as ‘Chinese world view’.

6.3.3.5 Back to Daoism and Confucianism

Having contemplated the overall Chinese sociological system, one may ask, ‘How then do Daoism and Confucianism fit in, given their profound influence on Chinese culture?’ This can be answered by revisiting the core values advocated by Daoism and Confucianism, which have been summarised above (refer to *6.3.2.1 Daoism* and *6.3.2.2 Confucianism*). One can see that the principle of *yin-yang* and the emphasis on harmony in Daoism precisely signify the contextual world view of the Chinese people, and the promotion of the hierarchical social order by Confucianism accurately reflects Chinese people’s recognition of the power distances that exist in the world, as well as their belief in continuing the way things naturally are. In other words, both Daoism and Confucianism are themselves the products of the Chinese world view, but also have functioned to reinforce such a world view over the past millennia.

6.4 Some Emergent Ideas

There are many ideas that emerged in the results chapters that are in agreement with prior research. For example, *guanxi* being recognised as a fundamental element in business operations in China (refer to *3.4.1.2.2.1 Fundamental to business activities*) has been acknowledged by many scholars (Ai, 2006; Chang, 2011; X.-P. Chen & Chen, 2004; Davies et al., 1995; Fan, 2002; Gao et al., 2012; Lo, 2012; J.-D. Luo & Cheng, 2015; Y. Luo, 1997; Y. Luo et al., 2012; Park & Luo, 2001; Shaalan et al., 2013; Standifird & Marshall, 2000; Y. Zhang & Zhang, 2006), although the research focuses varied between the importance, the categorisations, and the functionalities of *guanxi*. Indeed, many of the subheadings in the research results chapters reflect concepts that have been discussed in the literature, and the content under those subheadings provides empirical evidence to support these ideas. However, due to the large span and variety of the concepts covered in these three results chapters, although all are related to doing agribusiness in China, it is not practical to go through each one of them and explain in detail how they reinforce existing theory in the literature. As indicated in the introduction to this chapter, the specific purpose here is to provide an interpretation of how the key social institutions identified from this research came

about from a sociological perspective, and to consider whether the context of food and agribusiness has an impact on how these social institutions function in business dealings.

Beyond the sociological framework synthesised in **Figure 3**, there are some novel ideas that emerged from the findings of this research. They may illuminate and encourage future research, and therefore deserve a little more attention. In what follows these ideas have been grouped into 'how it is' and 'what to do'.

6.4.1 How it is

The emergent ideas on 'how it is' mostly come from **Chapter 3**.

6.4.1.1 Diversity

As indicated in *6.2.1.4 Diversity* above, informants identified that there is a diverse range of institutional cultures in different parts of China: between different genders and generations, as well as in the overall business environment in China (refer to *3.4.1.1 Overall institutional environment* and *3.5.1.2 Diversity*). There is an apparent lack of research on diversity within China, and this warrants further research.

6.4.1.2 Project vs. product

The idea of having the focus of one's work, particularly for government officials, on a project (a short-term achievement) instead of a product (long-term sustained profitability) was identified by some informants (refer to *3.3.2.4 Project vs. product*). This is a concept that appears to have not been discussed in the literature. There could be potential links between this concept and the idea of many Chinese people being eager for quick success, which is widely discussed in the literature. Another plausible explanation could be that the promotion systems for officials in China have attributed to such a focus on 'projects'. Within these promotion systems, GDP growth and social peace are rewarded above everything else, and achieving 'projects' would create perceptions of such growth and peace. These potential links and possible explanations may spark some interest for future research and shed light on practices for foreign entrepreneurs going into China.

6.4.1.3 Circles of trust – rings of *guanxi*

While previous literature has focused on the importance and roles that *guanxi* plays within business interactions in China, as well as how it functions, the description of each individual Chinese person's *guanxi* network as ring-structured was rare. Some scholars have touched on the concept of '*guanxi* circles' (Gao, Ballantyne, & Knight, 2010; Lee & Dawes, 2005; J.-D. Luo & Cheng, 2015; J.-D. Luo & Yeh, 2012), and the "differential modes of association" linked to them (Fei, 1992; J.-D. Luo & Cheng, 2015; J.-D. Luo & Yeh, 2012). However, these discussions focus on the differences between those who are in the inner circle and those who are on the periphery,

with the circle serving as a boundary. The insights shared by the informants of this research, on the other hand, revealed the onion-like ring structure of one's layered *guanxi* circles, as well as the various degrees of trust associated with those in each ring, with a person "out in the jungle" deserving no trust at all (refer to *3.4.1.2.2.2 Circles of trust – rings of guanxi*). There is, however, according to the informants, movement between the various rings, whereby a person can gain more trust via the introduction of a trusted person. This concurs with what has been suggested by several scholars (Gao et al., 2012; J.-D. Luo & Cheng, 2015; Y. Luo, 1997), but does not negate the need for future investigation of this 'onion-like ring structure' of the trust relationships within one's *guanxi* network.

6.4.1.4 Social masks

Social masks create the sense of a barrier for some informants in their communication with Chinese people, particularly when it comes to dealing with government officials and when it is at the start of a relationship-building process (refer to *3.4.2.3 Social masks*). The impression of 'what you see it not what you get' presented challenges for the interviewed New Zealand entrepreneurs, who prefer a more straightforward mode of communication. The concept of social masks therefore has direct implications for business practices in China, but has not been widely covered in the literature, possibly due to its own concealing nature, and therefore requires further research.

6.4.1.5 Unclear boundary between work and private life

Some informants observed the unclear boundary between work and private life for the Chinese people, and that the boundary is more defined in New Zealand culture (refer to *3.5.2.3.1 Unclear boundary between work and private life*). Such a difference may cause discrepancies in communication between New Zealand entrepreneurs and their Chinese partners. This particular characteristic of the Chinese people and how it can play out in the context of business communication does not appear to have received attention by scholars in the past, and could be a point of interest for some in the future.

6.4.2 What to do

The emergent ideas discussed below on 'what to do' come from **Chapter 5**.

6.4.2.1 Bigger relationships

'Bigger' relationships refers to the notion discussed by some informants that one should try to develop relationships that go beyond the business deal, creating an association with the counterpart that is greater than the business deal itself, as a form of security against the business partner sabotaging the business deal (refer to *5.4.3.1 Bigger relationships*). This is a novel idea

based on real-life experience that requires further research to verify its value. Could it be broadly applied to all business situations in China? What are its advantages and limitations?

6.4.2.2 *Guanxi* harness

'*Guanxi* harness' is another original concept raised by one of the informants during the interviews (refer to *5.4.3.2 Guanxi harness*). It was suggested as another form of security for foreigners having business relationships with Chinese by having an 'outsider' keep an eye on the business partner in order to prevent the partner from diverging from or harming the business deal. This outsider can also be viewed as a third point within a triangular relationship, and is potentially more stable than a two-point relationship. While the concept of *guanxi* harness reinforces the complexity of *guanxi* networks in China, which many scholars have discovered (Ai, 2006; Chang, 2011; X.-P. Chen & Chen, 2004; Davies et al., 1995; Fan, 2002; Fei, 1992; Gao et al., 2010; Gao et al., 2012; Lee & Dawes, 2005; J.-D. Luo & Cheng, 2015; J.-D. Luo & Yeh, 2012; Y. Luo, 1997, 2007; Y. Luo et al., 2012; Park & Luo, 2001), how such a 'harness' could be incorporated into business practice for foreign entrepreneurs in China may remain a practical challenge and warrants further investigation.

6.5 Is Agribusiness Different?

Having considered the emergent ideas that may encourage future research, readers are now invited to direct their attention back to this current research. One of the questions that required an answer at the onset of this PhD research was whether or not agribusiness is indeed different. Do the unique and defining characteristics introduced in **Chapter 1** affect how the social institutions function within this context? Do these characteristics have an impact on how businesses in the agri-food sector are conducted in China? Do they make it more or less challenging for New Zealand agribusiness entrepreneurs to manoeuvre in the Chinese market?

To answer these questions, a revisiting of *6.3 Through different eyes* is warranted. Many Westerners and Chinese possess distinctively different world views, leading to very dissimilar strategic thinking, and consequently different approaches to business dealings, particularly business relationships. How do these conflicting world views play out in the context of food and agribusiness? According to various parts of the research in the results chapters, informants perceived that the contrasting world views and the resulting business approaches of New Zealanders and the Chinese people are magnified and reinforced within the context of food and agribusiness, where more uncertainties are involved due to the nature of the industries: the long production and investment cycles, production and price volatilities, food safety and security

issues, seasonality, perishability, and environmental implications, as well as the complex interplay between them. For example, Chinese farmers display a strong desire for survival, leading to their preference for engaging in producing annual crops and a reluctance to take part in agribusiness ventures that may require several years before break-even (refer to *3.4.1.2.4.1 Survival*).

Another example could be the particular challenges faced by New Zealand entrepreneurs when it comes to intellectual property protection, where the characteristics of propagation techniques such as grafting plants can be used for the mass production of counterfeits within a short space of time; as indicated by some informants, many Chinese farmers believe that cutting off the branch of a desirable plant variety illegally and then grafting it for their own use is a practical way of getting ahead quickly (refer to *3.5.3.1.4 Intellectual property (IP) protection*).

Drawing on the understanding gained through **Figure 3** above, one can see that the uncertainties created by, and the characteristics of, the nature of agribusiness justify Chinese people's pragmatic approach to things. They validate the ambiguity and flexibility perceived by them, and accentuate their survival instinct, and also serve to rationalise their pragmatic way of doing things, which in turn reinforces their distinctive view of the world, as shown in **Figure 3**.

It is therefore justified to conclude that there are implications for business approaches, particularly those related to relationships that arise from the unique and defining characteristics of agribusiness, largely due to the uncertainties involved. New Zealand entrepreneurs hence need to not only have an appreciation of the Chinese world view and the consequential sociological and business environment in China, which is vastly different from that in the West, but also to understand the additional challenges presented by the characteristics of agribusiness when venturing into China.

6.6 Summary

Having revisited some of the relevant literature, this chapter has delved into the insights gained from the results chapters, the key points of which were synthesised in a diagram. The discussion also explored some ideas that emerged from the research results, with the aim of encouraging future research endeavours. Lastly, a consideration of whether or not the defining characteristics of agribusiness present particular challenges for New Zealand agribusiness ventures in China was undertaken.

6.6.1 Through different eyes

The wisdom of past scholars has enlightened the researcher on the distinctive world views of

many Westerners and Chinese. While many Westerners delight in categorising and seeking the abstract truth of the world, Chinese people take pleasure in immersing themselves in harmonious coexistence with the world around them. Many Western people de-contextualise in their process of understanding the world, while Chinese people see all things in the world as interconnected, such that any endeavour that does not take context into consideration is not pragmatic and is therefore meaningless. With this logic they have developed a high-context culture.

Reflected in their strategic thinking, particularly in business, many Western people impose their ideal models upon the world, from which they work out plans for implementation in order to achieve set goals. Chinese people, on the other hand, prefer to rely on the inherent potential of the situation and be carried along by it, for this is recognised as following the way of the world that will lead to prosperity. Additionally, the influence of Daoism and Confucianism reinforces Chinese people's perception of the world as a place filled with contradictions, and where hierarchy is part of the norm and should therefore be respected.

Guided by these insights of the contrasting world views, the key points identified by the informants, set out in the results chapters, were summarised in the introduction to this chapter. Drawing on prior literature, they were then synthesised into a diagram. The categories of 'how it is', 'what is important' and 'what they do' have been placed within this diagram, along with 'Chinese world view' and 'pragmatism', to make up the five components. The diagram displays the interacting relationships of reflection and reinforcement for these components, completing a self-reinforcing sociological system. The key points under 'how it is' are well suited to be considered as descriptions of field defined by Bourdieu; the key points under 'what is important' fit well with his concepts of capital and habitus; and those under 'what they do' are appropriately viewed as descriptions of practice as defined by Bourdieu. Together they interpret Bourdieu's formula of **habitus x capital + field = practice** (Bourdieu, 1984) within a Chinese context through **Figure 3**, with the figure adding another dimension of self-reinforcement. Lastly, it was recognised that Daoism and Confucianism are themselves products of the Chinese world view, but they have also functioned as reinforcement of this world view over the past millennia.

6.6.2 Some emergent ideas

While it was acknowledged that many of the ideas that emerged in the results chapters concur with the existing literature, there are several notions that have not be widely researched. Most of these ideas come from **Chapter 3**, focusing on 'how it is', and **Chapter 5**, concentrating on 'what to do'. Under 'how it is', the diversity within China, the idea of project vs. product, circles of trust – rings of *guanxi*, social masks, and the unclear boundary between work and private life were

identified as needing more research. Meanwhile, under 'what to do', bigger relationships and *guanxi* harness were recognised as novel ideas that may attract the attention of further scholarly investigation.

6.6.3 Is agribusiness different?

The question 'Is agribusiness different?' was asked at the end of this discussion chapter. It is recognised that the distinctly different world view of many Chinese people compared to that of many Westerners creates a complex environment for the New Zealand entrepreneurs when venturing into China. Such complexity, reflected in Chinese business approaches and the business environment created by these approaches, is exacerbated by the uncertainties within the agribusiness sector arising from its unique and defining characteristics. These characteristics include long production cycles, long investment cycles, production volatility, price volatility, product perishability, seasonality, food safety concerns, food security concerns, and environmental implications, and the complex interplay between them. These uncertainties reinforce Chinese people's pragmatic approach to things, leading to added challenges to New Zealand entrepreneurs when embarking on agribusiness ventures.

Having introduced the background of this PhD enquiry, described the methodological approach and procedures, explained the research findings, and synthesised the research insights, it is now time to conclude this research endeavour and provide recommendations for future research and practice. This will be covered in **Chapter 7 Conclusions, Reflections and Recommendations**.

Chapter 7

Conclusions, Reflections and Recommendations

7.1 Conclusions

This PhD research has investigated cross-cultural business relationships between China and New Zealand within the novel context of food and agribusiness, using research methodology and methods appropriate to theory-building. The research topic was arrived at in response to the importance of China as a destination market for New Zealand food products and services, the difficulties that New Zealand agribusinesses have encountered in their China-related dealings, the absence of research on the overarching sociological framework within China's agri-food environment, and the apparent lack of research on cross-cultural business relationships within the food and agribusiness context.

After considering the paradigm the researcher has adopted for this research, which is constructive-interpretive in nature, and having considered the strengths and weaknesses of both theory-building and theory-testing research methodologies and methods, together with the lack of prior research within the agri-food domain, an inductive-led theory-building case study research method, drawing in particular from the work of Eisenhardt (Eisenhardt, 1989, 1991; Eisenhardt & Graebner, 2007), was adopted. Theoretical sensitisation and theoretical sampling were conducted. Through 38 in-depth interviews, with each being treated as a single case study, rich empirical data were collected, analysed (using NVivo10), and synthesised to answer the research questions set out in **Chapter 1**. The three research questions are relisted here:

1. What are the social institutions at play when New Zealand agribusinesses are operating in or exporting to China, particularly from the cross-cultural business relationship perspective?
2. How have these social institutions come about, and how do they interact to form the sociological system in China?
3. Are there any additional challenges imposed by the unique and defining characteristics of the food and agribusiness sector in the functionality of these social institutions in building and managing cross-cultural business relationships?

Through examining the literature in areas that have been identified as relevant in the results chapters, along with undertaking an analysis of the empirical evidence collected during the interviews, this thesis answers the research questions set out through two components. First, a sociological framework is proposed, in which the important social institutions identified in the research results fit, and interact, to create a self-reinforcing sociological system. This first component essentially addresses the first two research questions set out above.

The social institutions identified can be categorised into 'how it is' (including hierarchy, ambiguity, flexibility, diversity, opposites that coexist, and interconnectedness), 'what is important' (including *guanxi*, trust, face, harmony, survival, and win-win), and 'what they do' (including avoid conflicts, go with the flow, strive for interdependence, eager for quick success, and test everything). Perhaps owing to their agricultural traditions in past millennia, Chinese people possess a distinctly different world view, seeing the world around them as a complex matrix in which all things, including humans, are interconnected. Consequently, the Chinese culture is a high-context culture, as defined by Hall (1989). Chinese people see all situations as being contextual, and they value the harmonious coexistence of all things. The profoundly influential philosophies, Daoism and Confucianism, are themselves products of this world view.

Such a world view leads to Chinese people's pragmatic approach to things, which is reflected in how it is, what is important, and what they do, with all of these reinforcing their view of the world. In practice, this contextual world view, along with a pragmatic attitude, guides Chinese people to function in their society through a hierarchical social structure with *guanxi* networks, in which family orientation is strong, and loyalty and interdependence are valued. Trust is often given with much caution, and a trusted relationship takes time to establish and is often accomplished through testing. Chinese people adapt to circumstances as a strategy to survive and/or succeed. While the win-win and 'quick success' mentalities both exist, which one is adopted may depend on the level of trust established and the self-interest that can potentially be gained. Chinese people's value of harmony encourages them to steer away from conflicts, while their belief in following the natural tendencies of things via dispositions and potential motivates them to go with the flow. Such was the social environment that New Zealand agribusiness entrepreneurs who ventured into China found themselves in, within which there were certain social rules they had to abide by, posing challenges to establishing effective cross-cultural business relationships.

Bourdieu's formula of **habitus x capital + field = practice** (Bourdieu, 1984) can be used as a useful tool in understanding this sociological system in China, although what is being proposed in this thesis adds a reinforcing dimension over and above a strict interpretation of Bourdieu's theory. This proposed Chinese sociological system, expressed in a diagram in its summary form in **Chapter 6**, is what the researcher considers to encapsulate the key theoretical contributions from this thesis towards the general body of knowledge. For this reason, it is repeated below:

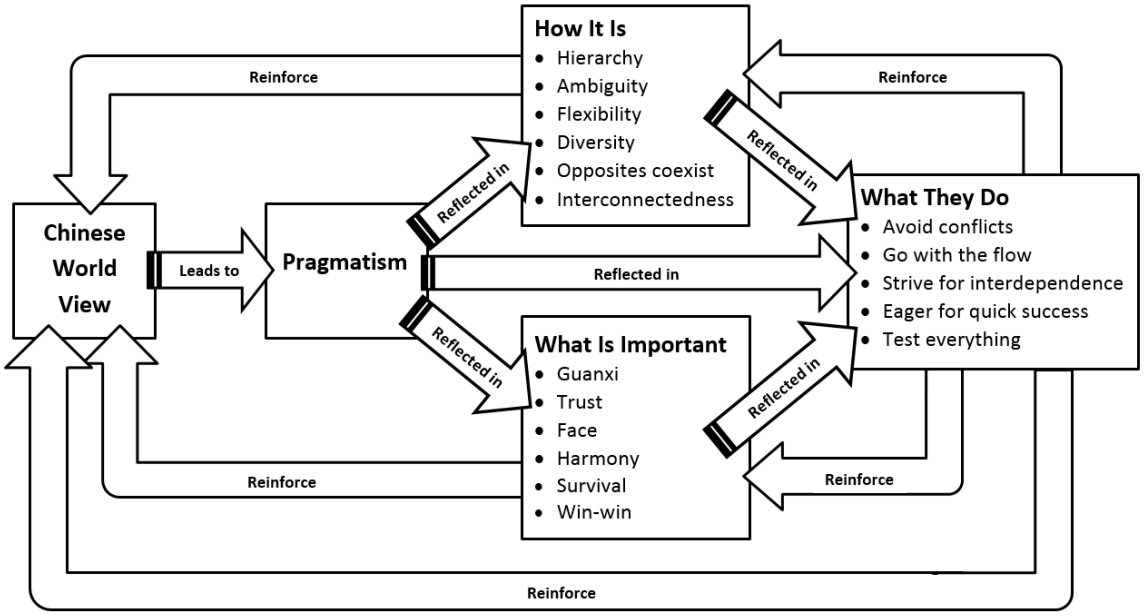

Figure 3 Chinese sociological system

A key manifestation of this Chinese sociological system within the business management context is the unique way of strategic thinking, in which no defined goal nor plans to achieve such a goal are set prior to action, as most Western strategic thinking suggests. Rather, reliance is placed upon the inherent potential of the situation, and one chooses to be carried along by this potential as it evolves (Jullien, 1999, 2004).

Building on the understanding provided by the proposed Chinese sociological system, the second component of this thesis supplies answers to the third research question set out above. It is concluded that the unique and defining characteristics of the food and agribusiness sector do indeed impose further challenges in building and managing cross-cultural business relationships. These further challenges derive from a combination of the specific uncertainties that exist within this sector, as well as Chinese people's pragmatic approach in business dealings, which is guided by their contextual and situation-dependent world view. The uncertainties within the food and agribusiness sector are the products of its unique and defining characteristics: the long production and investment cycles, production and price volatilities, food safety and security issues, seasonality, perishability, environmental implications, and the complex interplay between these. These uncertainties justify Chinese people's distinctively pragmatic way of doing things, which in turn reinforces their contextual and situation-dependent world view, as portrayed by the sociological system mentioned above. Accordingly, New Zealand entrepreneurs are recommended to have an appreciation of not only the Chinese world view and the consequential sociological and business environment in China, but also the additional challenges presented by the characteristics of agribusiness when venturing into China.

7.2 Reflections

The purpose here is to reflect on the possible implications that the researcher's bilingual and bicultural personal constructs may have had on this research, the nature of the proposed diagram and its formation, and the transferability of the research findings. Lastly, the research limitations are considered.

7.2.1 Implications of the bilingual and bicultural personal constructs

The journey of this PhD endeavour has certainly had its challenges, one of which was to interpret the research results through the researcher's bilingual, bicultural lenses while drawing on literature that has been mostly produced in the West, involving interpretations of Chinese phenomena written in a non-Chinese language for an audience that is potentially dominated by people living in the West (who could be of various ethnic backgrounds, including Chinese). In line with Kelly's Personal Construct Theory (Kelly, 1955), it was inevitable that the researcher's upbringing until the age of 23 in China, followed by a further 13 years' living in New Zealand, would influence her interpretation of the research results. Because of this bilingual and bicultural background, the researcher was able to empathise with both the Chinese and Western perspectives. Yet it is important to recognise that, like many other publications referred to within the various chapters, this thesis is written in English but describes and analyses Chinese phenomena. Additionally, the main theoretical contribution of this thesis − the proposed Chinese sociological system (and the diagram to depict this) − is a Western way of explaining things through a model-like diagram, in a simplified, abstract form; yet the system described is far from simple in reality, as it is dynamic and filled with complexity.

7.2.2 On the diagram

While on the surface the construction of this diagram seems to follow the same thinking as Soft Systems Methodology championed by Checkland (2000), in that a model is constructed in an effort to make sense of the complicated real-world situation, the ultimate world views underpinning these models are different. Soft Systems Methodology retains the core values that stem from a Western world view, in that the model must be abstract (Rodriguez-Ulloa & Paucar-Caceres, 2005), and continued adjustment of the model is for the purpose of solving real-world problems and hence making improvements in the real world, leading it closer to the ideal. In contrast, the proposed diagram is meant to be solely for the purpose of making better sense of the world as it presents itself to New Zealand agribusiness entrepreneurs operating in China: there is no intention to try to make any improvement to this world. Rather, and consistent with a Chinese world view, the world presents itself to us as how it is, and we simply need to understand it better and go along with it as it evolves.

Although this diagram was constructed using an inductive-led theory-building process, recognition should also be given to the influence of theoretical sensitisation prior to the field work within this PhD research. This theoretical sensitisation highlighted the fragmented nature of the existing China-related sociological research, and revealed the absence of an overarching sociological framework within China's agri-food environment. During the field work, informants were asked to 'tell their own stories', with no specific prior theory communicated to them. It was a way of trying to make sense of the world and suggest an overarching framework through informants' own experience, grounded by actual behaviours and events. Of all the theories the researcher was sensitised to, perhaps Bourdieu's theory on habitus, capital, field, and practice had the deepest influence, and guided the formation of the diagram proposed in this thesis. This was followed by Nisbett's theory on the Chinese contextual world view (Nisbett, 2003) in comparison to that in the West, as well as Jullien's theory on Chinese strategic thinking, both of which had the second greatest influence on this research and fostered a deeper understanding of the Chinese sociological system, as well as how it is manifested in business management.

Recognition should be given that other plausible explanations for the observed phenomena by the informants may exist, and may lead to differences in the proposed Chinese sociological system. Buddhism, for example, is an ideology that has existed in China since around the 2nd century CE (Foy, 2012). Marxism, having been advocated strongly by the Chinese Communist Party since its conception, as well as Mao Zedong Thought and Deng Xiaoping Theory, which developed over the last century and have their own significant standings in China, may also offer explanations to phenomena experience by the informants. For example, 'opposites coexist' (refer to *6.2.1.5 Opposites coexist*) could be explained by drawing on the principle of Dialectic Materialism that is enshrined by Marxism, Mao Zedong Thought and Deng Xiaoping Theory (although the acceptance of these modern ideologies by the Chinese people may in itself reflect an influence of the Daoist *yin* and *yang* principle). Similarly, the propaganda on 'social harmony' by the Chinese government over the last few decades may also help to explain informants' experiences of conflict avoidance by the Chinese. None of these ideologies or ideas, however, emerged from the interviews, hence did not receive the attention of the researcher during the exercise of theory development. Future research endeavours could nevertheless explore these areas further.

7.2.3 Transferability of the research findings

Although this research was conducted within the food and agribusiness context, the description of the Chinese sociological framework depicted in the diagram has the potential to enhance understanding of the Chinese social and business environment beyond agri-food. Readers who

have a general interest in social and business dealings in China may also find the diagram helpful, and may be able to transfer the knowledge gained there to a different field. The identification of the particular challenges that arise due to the unique and defining characteristics of agribusiness may, however, be limited to this particular context, although it could be helpful in a different context if similar characteristics are identified.

7.2.4 Research limitations

Through cultural lenses, and via the vehicle of cross-cultural business relationships, this research proposes a framework to understand the Chinese sociological system. Drawing on the understanding obtained within this system, as well as the unique and defining characteristics of food and agribusiness, conclusions are drawn regarding building and managing cross-cultural business relationships within the agri-food sector. While the understanding of the overall Chinese sociological system provides insights into the reasons why certain overarching challenges exist when New Zealand agribusiness entrepreneurs try to establish effective cross-cultural business relationships, there are also limitations to this 'broad' approach, with potential to miss some finer grained detail.

For example, some informants observed differences in attitudes across different generations in China. While this could be explained through an understanding of Chinese people's contextual world view, in that the world changes with time, leading to changes of attitude, this research has not explored further what dynamic elements within Chinese society at different times may have led to − and may still be leading to in terms of differences in attitudes. Similarly, there were some observations on the differences between genders and across different parts of China. Although these various differences fall into the broad category of 'diversity', this research has not looked further into the details of these diversities.

A potential difference among informants was the understanding of cross-cultural business relationships and related issues by informants of Chinese ethnicity compared to those of European ethnicity. Drawing on Kelly's Personal Construct Theory (Kelly, 1955) and the theory of Bourdieu (J. Webb et al., 2002), in which habitus plays a significant role in one's interpretation of the world, it is likely that some contrasting ideas existed between these two different groups of informants. This research, however, has not attempted to analyse these differences.

There is another point related to this possible difference that is perhaps worth pondering: anecdotally, why do we hear that many Westerners find doing business in China difficult, yet we do not hear much about Chinese people facing difficulties doing business in the Western world? Is it a straight language thing, where the non-Chinese speakers talk about their experiences to a

non-Chinese dominated audience? Or is it because, compared to Westerners, Chinese people's contextual world view, as well as their pragmatic approach to things, makes them more adaptable? The habitus of many Westerners has determined their relatively more explicit, abstract, and absolute view of the world, making their encounters in China appear to be non-explicit, specific, and situation dependent, hence causing discomfort, confusion, and frustration. Whether or not contrasts in habitus can help explain why Westerners are confronted with at times daunting Chinese experiences requires further research.

Taking it one step further, the word 'Westerners' in itself is a broad term, covering populations from a variety of ethnic backgrounds. While in this thesis 'New Zealanders' has been used interchangeably with 'Westerners', leading to some broad understanding of these 'Westerners', in reality it is likely that relevant differences do exist among Westerners from different countries. Indeed, some informants alluded to the difference observed between Americans and New Zealanders (refer to *3.4.1.1.1 Differences and similarities in overall institutional cultures between China and New Zealand* and *4.3.2 Win-win*). But it is still valid to ask questions such as 'Do the understandings of these different Westerners differ when it comes to cross-cultural business relationships in China, and doing business with Chinese in general?'; and if the answer is 'Yes', then 'In what ways are they different?', and 'How does this play out in business practice?'. This thesis has not looked into these possible differences and their implications in business practice, which could be a potential interest for future researchers.

7.3 Recommendations

Having reflected on the implications of the researcher's bilingual and bicultural personal constructs for this research, the nature of the proposed diagram, the transferability of the research findings, as well as some limitations within this research, the researcher recommends that readers:

- consider the proposed theory within this research, with the limitations outlined above in mind
- apply the proposed theory in practice when doing business with Chinese people, and test its relevance
- ponder the possibility of furthering the current understanding of Chinese sociological and business environments by conducting research in the areas of limitation identified above.

While this research is largely conducted within the Chinese environment, equivalent to an *in vivo* study of the Chinese sociological system, future research could also look into cross-cultural business relationships between China and New Zealand within the food and agribusiness context from within the New Zealand environment, which is essentially an *in vitro* study of the Chinese sociological system. There have been a number of food- and agribusiness-related investments in New Zealand by Chinese investors in recent years. How are these businesses performing? Have the Chinese investors experienced cultural challenges? If so, how have they responded to these challenges? Indeed, many questions could be asked, and the answers to these questions could help to deepen our understanding of the Chinese sociological system, especially in terms of how it influences Chinese people's business behaviours outside China.

7.4 At the End

The researcher reminds readers that although this PhD research has been a scholarly endeavour, it also hopes to shed light for New Zealand agribusiness entrepreneurs in their future ventures in China. It aspires to provide further insights into strategies of engagement that will help to lead New Zealand firms to success in doing business with Chinese, particularly in terms of enhancing the functionalities of the value chains in the food and agribusiness sector. Readers are reminded that this thesis also contains some practical ideas aimed at entrepreneurs. For example, it has looked into the reasons for failure, and gives recommendations on specific techniques to adopt when operating in China, including suggestions for market entry, value proposition, relationship building, business negotiation, agribusiness operation, and understanding the power game (refer to **Chapter 5**).

Finally, being Chinese, the researcher believes that the observations made and experiences lived through by the informants of this research were not only grounded in specific behaviours and specific events in specific locations, but were also grounded at a specific point in time. Given the inherent Chinese view of the world as contextual and situation dependent, leading to their focus on flexibility and adaptability, one can expect to see ongoing changes in the Chinese sociological and business environment. These will in all likelihood occur at different times in different parts of China, consistent with the differing rates of economic development – yet another aspect of the diversity that deserves future research.

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Appendices

Appendix 1: Sample Information Sheet

English version

Lincoln University PhD Research

Information Sheet

Name of Project:

Cross-cultural Relationships in International Agribusinesses Operating (or Selling) in China

Thank you for agreeing to participate in my PhD research regarding cross-cultural relationships in international agribusinesses operating (or selling) in China.

The purpose of this PhD research project is to identify whether the unique characteristics of the food and agribusiness sector present different sets of challenges in building effective cross-cultural business relationships, particularly those between New Zealanders and Chinese.

Unless explicitly agreed with the interviewee, all information provided during the interviews will be preserved with anonymity both of the individual and the company that he or she works for.

Where an interviewee wishes to be identified, either individually or employing firm, then approval for any attributed comments will be obtained prior to publication.

If you have any questions or concerns about this research, please contact me at:

Sharon Lucock
Department of Agricultural Management and Property Studies
Faculty of Commerce
P.O Box 85084, Lincoln University
Lincoln 7647
New Zealand

Phone: + 64 3 423 0262
Email: Sharon.lucock@lincoln.ac.nz

Yours sincerely,

Xiaomeng Kong Sun Lucock

7 August 2013

Page 1 of 2

Chinese version

Lincoln University PhD Research

项目信息

项目名称：

在中国境内操作（或销售）的一些国际农业经济企业内的跨文化关系

感谢您同意参与我的有关在中国境内操作（或销售）的一些国际农业企业内的跨文化关系的博士研究。

此项博士研究的目的是鉴定食品和农业企业的特性是否会为建立有效的跨文化业务关系，尤其是新西兰人与中国人之间的跨文化业务关系，带来不一样的挑战。

除非与被访人间有具体的协议，否则所有的采访内容将对被访人及他（她）所在的公司以匿名的方式被保留。

如果被访人希望公开其个人或公司身份，所有预计被发表的有关被访人或其公司的评论都将会在争得被访人认可的条件下才会被发表。

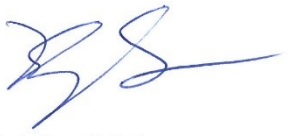
如您有任何问题或关注，请与我联系：

Sharon Lucock
Department of Agricultural Management and Property Studies
Faculty of Commerce
P.O Box 85084, Lincoln University
Lincoln 7647
New Zealand

电话： + 64 3 423 0262
电子邮件： Sharon.lucock@lincoln.ac.nz

此致，

敬礼



孔晓萌（英文名：Xiaomeng Kong Sun Lucock）

Appendix 2: Sample Consent Form

English version

Lincoln University Policies and Procedures

Consent Form

Name of Project:

Cross-cultural Relationships in International Agribusinesses Operating (or Selling) in China

I agree to be interviewed by Xiaomeng Kong Sun Lucock (known as Sharon Lucock) for her PhD research on cross-cultural business relationships in the food and agribusiness industries.

☐ I agree that Sharon can digitally record the interview.

☐ I do not want Sharon to digitally record the interview

☐ I wish to remain anonymous, including that the identity of my firm is not revealed

☐ I wish to being identified by my name and my position in my firm but on the understanding that any comments attributed to me will be shown and approved by me prior to publication.

Name: _____

Signed: _____ Date: _____

7 August 2013

Page 1 of 2

Chinese version

Lincoln University Policies and Procedures

采访同意书

项目名称：

在中国境内操作（或销售）的一些国际农业经济企业内的跨文化关系

我同意孔晓萌（英文名：Xiaomeng Kong Sun Lucock）就她的有关食品和农业经济业内的跨文化业务关系的博士研究课题对我进行采访。

☐ 我同意对此采访进行数码录音。

☐ 我不希望此采访被数码录音。

☐ 我希望隐瞒我和我所在公司的身份。

☐ 基于在发表我的任何评论之前，我将审阅并认可该评论的前提之下，我希望将我和我在公司的职位被公开。

姓名：_____

签字：_____ 日期：_____

Appendix 3: Sample Interview Guide

Interview Guide – xxx (name of the informant)

Personalised questions:

1. How did your involvement with China start?
2. What were the major challenges when you first took over the CEO position of xxx (name of the company)?
3. Chinese institutional culture compared with New Zealand?
4. Challenges in accessing land/properties in China? Why?
5. Challenges in legal process?
6. How did you secure the finance? What are the securities that the banks look for?
7. Challenges in dealing with the officials? Why?
8. Challenges in dealing with suppliers (upstream in supply chain)? Why?
9. Challenges in dealing with customers (downstream in supply chain)? Why?
10. Would you do anything different in staffing compared with if you were in New Zealand?
11. Your key strategies around staffing? Why?
12. Has being a Kiwi helped you/made a difference in doing business in China?
13. Where do you see this business to be at in 3 years' time?

Universal questions:

1. Most enjoyable thing happened so far? Why?
2. Most unpleasant thing happened so far? Why?
3. Most frustrating thing happened so far? Why?
4. Most surprised thing happened so far? Why?
5. Most appreciated characteristics of the Chinese/Kiwis that you are working with? Why?
6. Most undesirable characteristics of the Chinese/Kiwis that you are working with? Why?
7. Biggest challenge so far? How is it a challenge? What did you do to combat this challenge? Why did you do this? What were your thoughts behind what you did?
8. Hardest task for you to achieve each day? Why is it hard? What strategy do you choose to engage to combat such difficulty? Why do choose such a strategy?
9. Biggest difference that you see between working at this business and your past experience in working at another business, and/or working with Chinese/Kiwis/people of other nationalities? How is it different? Is there a preference for you between the two? Why?
10. What areas would you like to see some improvement to happen within this business? Why? What do you think that can be done to make such improvements? Why?
11. What areas would you like to see some improvement to happen outside (but related to) this business? Why? What do you think that can be done to make such improvements? Why?
12. One piece of advice that you would give to Kiwis coming to China to do agribusiness?
13. Best thing done by Kiwis in China?
14. Biggest mistake made by Kiwis in China?

Appendix 4: Nodes and Numbers of References from NVivo 10

19/12/2014 2:42 p.m.

Nodes and numbers of references from NVivo 10

Trust	Find the right partner	Learning new culture
64	21	14
Differences in institutional cultures	Complication in agribusiness	NZ's good reputation in China
54	20	14
Government is always involved	Everything is a test	Challenges
43	20	13
Guanxi	Land	Cultural hurdle
41	19	13
Things take a long time to develop	Survival	Families
34	19	12
Reasons for failure	Win-win	IP Protection
31	19	12
Different ways of thinking	Hierarchy	Building relationships before negotiations
27	18	11
Relationship building	Long-term or short-term thinking	Chinese negotiation
27	18	11
Integrity	Face	Cultural differences in different regions
26	17	11
Money oriented	Opportunities	Food safety
24	16	11
The Chinese way (of doing things)	Need to be on the ground in China	Drinking test
23	15	10
	Pragmatism	
	15	

Lack of understanding about China in NZ
10
Social status
10
Years of experience in China is helpful for businesses
10
Competitiveness
9
Compromise
9
Equality
9
Game with officials
9
Security
9
Simplicity
9
Adding value to NZ products
8
Be humble
8
Commitment
8

Confucius
8
Contract is a discussion document
8
Grey economy
8
People first
8
Ruled by people not by law
8
Bribery (not to be involved)
7
Chinese always look after the Chinese
7
Create competition amongst partners
7
Guilty until proven innocent
7
Hospitality
7
Integrated value chain
7

It's a game
7
Lack of volume of supply from New Zealand
7
Alignment
6
Bureaucracy
6
China is the new economic power
6
Difference in wine cultures
6
Eager for quick success
6
Environmental sustainability
6
Keep high level of communication
6
Lack of system thinking in agriculture
6
Language barrier
6

Need to understand customers or consumers better
6
Similar in sense of humour
6
Chinese are business savvy
5
Contract should be followed
5
Cultural nuances
5
Foreign investment in NZ
5
Hard to change certain perception
5
Lost in translation
5
Self-worth
5
Capital is important
4
China is fast paced
4

Complex legal procedures for exporting to China
4
Difference between male & female
4
Diversity of business cultures in China
4
Doing business with friends
4
Go with the flow
4
Grey trade
4
Hope
4
Indebted society
4
No need for contracts
4
Old China vs. new China
4
Project vs. product
4

Relying on the collective
4
Rural employment
4
Social responsibility
4
Take ownership of NZ's own branding
4
Team spirit
4
China is a hard place to do business
3
China is getting Westernised
3
Chinese farmers are very good at growing things
3
Conflict avoidance
3
Counterfeiting
3
Execution
3
Individualism
3

Instant gratification
3
JVs should have Chinese partner taking greater shareholding
3
Knife hidden behind a smiling face
3
Loyalty is important
3
Need of good distribution and logistical channel
3
Not straight forward in communicating
3
NZ cannot be totally reliant on the Chinese market
3
Party overrides government
3
Passion
3
People are people
3

Rely on intuition
3
Should make more use of Chinese people in NZ
3
Social media is changing China
3
Strong leadership led to rapid growth
3
Tiredness
3
Volatility
3
Attraction
2
Avoid investing into hard assets
2
Balanced approach
2
Be prepared with the skills needed
2
Be upfront
2

Business needs to be in cash positive
2
Chinese are efficient
2
Creativity
2
Different frames of reference for different generations
2
Different populations drive different needs
2
Difficulty in judging what is corruption
2
Disconnection between scientists and farmers
2
Disconnection between technicians and farmers
2
Disconnection between the central and local governments
2
Do not show emotions
2

Email communication not effective
2
Expect the best, and prepare for the worst
2
Exporting FOB
2
Hard to get paid consultancy
2
Health insurance
2
Lack of solution oriented thinking
2
Lack of willingness to make decisions
2
Land of contrast
2
Mask
2
Mis-trust of the Chinese
2
Next generation Chinese will be net consumers
2

NZ companies need some technological edge
2
NZ's Chinese graduates in China can be dangerous for business deals
2
Payment should be cash upfront
2
Prejudice in NZ towards China & Chinese
2
Pushing the boundary
2
Relationship and implementation
2
Requirements for graduates
2
Role of NZ government
2
Saying one thing and meaning another
2
Self-belief
2

Set up a model system for farmers
2
Stay on top of the game (looking after myself)
2
Target 2nd tier cities
2
Young people are exiting farming
2
Aggregation in agribusiness
1
Aging population in farming
1
Attitudes towards work
1
Authenticity of product
1
Be a good citizen
1
Be consistent
1
Be positive
1

Big population cause disconnectedness
1
Boss determines the culture
1
Business needs presence in China
1
Business planning
1
Be subtle in communication
1
China has lost its spirit despite the economic growth
1
China is not a unfied market
1
Chinese are braver than Kiwis
1
Chinese are culturally liberal
1
Chinese market is part of the world market
1

Contract language is machine language
1
Contradicting opinions about Chairman Mao
1
Controlled currency
1
Costly to set up expats in China
1
Cultural ambassador
1
Differences in technological support for farming
1
Different attitudes towards foreign investments
1
Disciplines in management
1
Fear and prejudice
1
Finance should be handled independently
1

Food basket from down under
1
Food security
1
Guanxi harness
1
Have a Chinese lawyer
1
Have an escape plan
1
Hidden agenda
1
High net savings
1
Impact of the Cultural Revolution
1
integration of work and private life
1
interdependency
1
Kudos of working in a foreign company
1

Lack of forward planning in infrastructure building
1
Lack of understanding of the need for a stable customer group
1
Local government behaviour changed overnight
1
Locals and foreigners are treated differently
1
Need a good observer in the team
1
Need to do better than the locals
1
Need to listen to farmers' needs
1
Negative slant of NZ media about China
1
Non-inclusion
1

NZ technologies need to be adapted to Chinese conditions
1
Obligation
1
One life, one opportunity
1
Opportunistic behaviour
1
Package products for the Chinese
1
Power game
1
Price hunting by the Chinese
1
Prices need to match with reputations
1
Rhythm
1
Shanghai is not representative of China
1
Similarity in goals in life
1

Social media provides opportunities
1
Stay unnoticed
1
Success in moderation
1
Successful life
1
Technicians are lack of practical skills
1
Trade is creator of peace
1
Variety of government agencies
1
Westernised style of communication is preferred
1
White skin makes a difference in China
1
Yin and Yang
1
Young people are respectful in China
1